

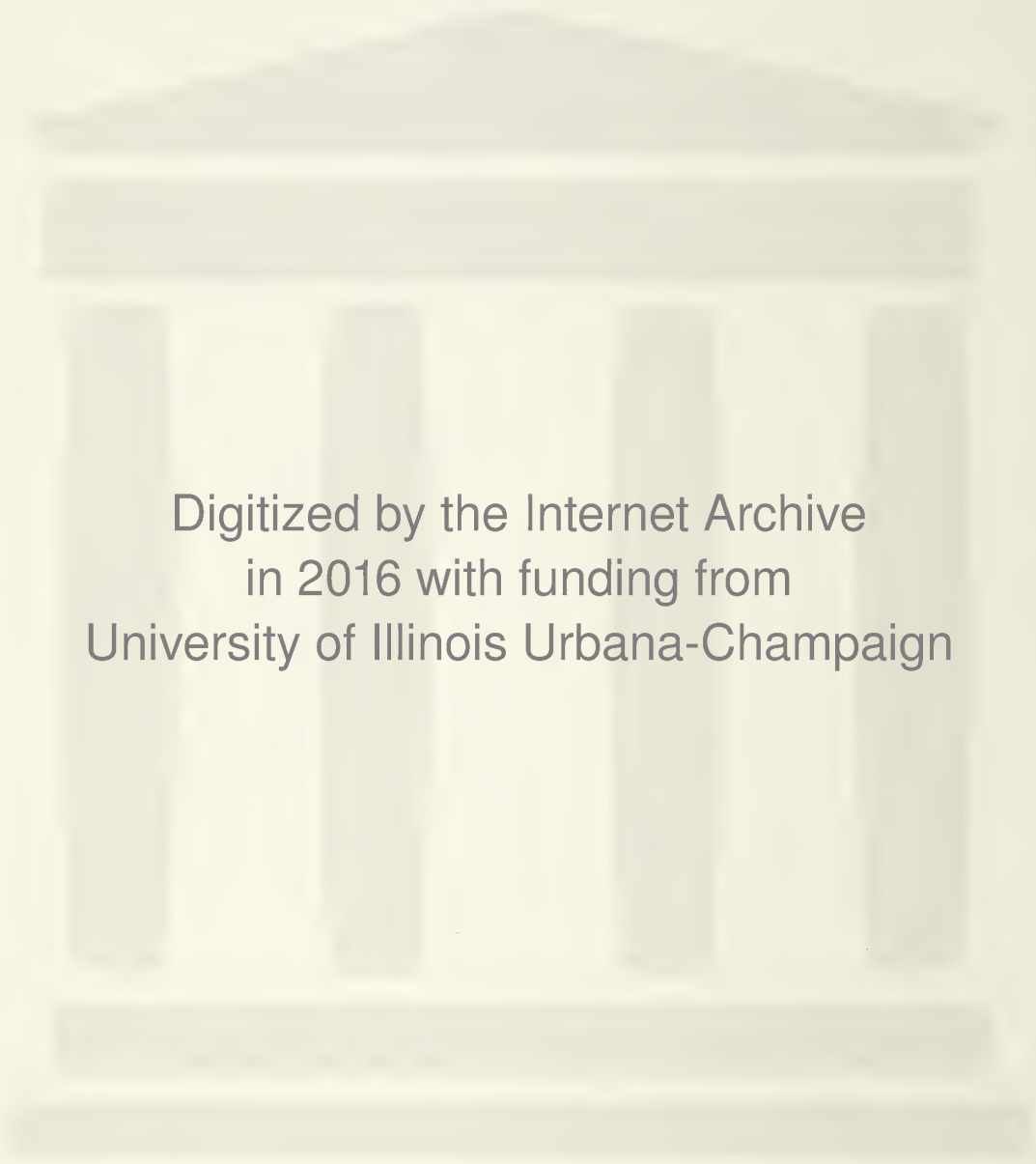


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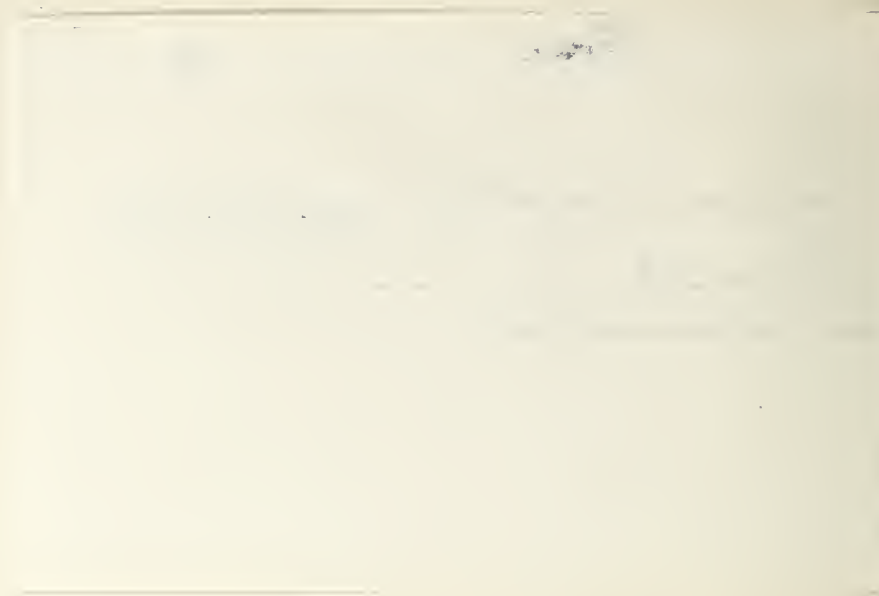


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JUN 11 1948

UNIVERSITY OF ILLINOIS

Domestic Credit Corporation

(A Delaware Corporation)

Class A Common Stock

Par Value \$1 Per Share

Prepared by the Corporation

for

The Chicago Stock Exchange

The Corporation has made application to list on The Chicago Stock Exchange, 150,000 additional shares of Class A Common Stock of the par value of \$1 per share upon notice of issuance and payment in full in exchange for partially paid shares, which shares have been issued to executives, employees and management personnel of the Corporation. This application was approved by the Executive Committee of the Exchange on May 10, 1948.

THIS CIRCULAR WAS PREPARED BY THE CORPORATION FOR THE INFORMATION OF MEMBERS OF THE CHICAGO STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE CORPORATION SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Domestic Credit Corporation

(A Delaware Corporation)

Class A Common Stock

Par Value \$1 Per Share

LISTING

Reference is hereby made to the following previous listing applications of the Corporation.

April 25, 1929	-	300,000 shares
January 13, 1932	-	300,000 shares
September 1, 1943	-	275,000 shares
October 15, 1945	-	1,115,658 shares

171,425 shares were delisted as of August 27, 1943, 7,286 shares were delisted as of October 15, 1945, 100,000 shares were delisted as of March 26, 1946, 79,546 shares were delisted as of September 30, 1947, and 108,325 shares were delisted as of October 23, 1947, since the purpose for such listings no longer existed.

The Corporation has made application to list on The Chicago Stock Exchange 150,000 additional shares of Class A Common Stock of the par value of \$1 per share upon notice of issuance and payment in full in exchange for partially paid shares, which shares have been issued to executives, employees and management personnel of the Corporation. This application was approved by the Executive Committee of the Exchange on May 10, 1948.

CAPITALIZATION*

The capitalization of the Corporation as of December 20, 1947, and as adjusted to give effect to the issuance of the Class A Common Stock hereby applied for, is as follows:

	As of December 20, 1947		As Adjusted	
	Authorized	Outstanding	Authorized	Outstanding
Current Bank Borrowings	\$ (1)	\$11,350,000	\$ (1)	\$11,350,000
2½% Subordinated Notes due \$70,000 semi-annually to October 15, 1951	560,000	560,000	560,000	560,000
	As of December 20, 1947		As Adjusted	
	Authorized	Outstanding	Authorized	Outstanding
5% Cumulative Preferred Stock (Convertible), \$25 par value	222,398 shs	108,325 shs	222,398 shs	108,325 shs
Class A Common Stock, \$1 par value	(2) 1,800,000 shs	(3) 990,776 shs	(2) 1,800,000 shs	(3) 1,140,776 shs
Class B Common Stock \$1 par value	(4) 3,200 shs	3,200 shs	3,200 shs	3,200 shs

*On May 17, 1948, the Corporation sold by private sale \$1,250,000 of its 4% Sinking Fund Debentures, Series A, maturing April 1, 1958 pursuant to an agreement entered into on May 10, 1948. The Indenture under which the Debentures are issued provides for the issuance of additional Debentures, subject to compliance with specified ratios, and provides that all Debentures issued thereunder will rank equally with the 2½% Subordinated Notes of the Corporation but will be subordinate to all other liabilities. The funds obtained through the sale of the Series A Debentures will be used to replace an equivalent amount of current bank borrowings and should make possible the expansion of the Corporation's lines of bank credit by approximately \$2,500,000 if the same becomes necessary or advisable.

- (1) The Corporation has lines of credit of \$16,250,000 for short term bank loans with 41 banks. The Corporation is currently paying interest at the rate of 2% per annum on such loans. All short term bank loans are made without collateral for periods usually not exceeding six months.
- (2) Including 433,300 shares reserved for issuance upon conversion of 5% Cumulative Preferred Stock.
- (3) Including 150,000 partially paid and assessable shares to be outstanding upon completion of this offering.
- (4) The certificates of beneficial interest for these shares are being purchased by the Corporation.

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no. 1821-1864

PURPOSE OF ISSUE

The 150,000 shares of Class A Common Stock of the Corporation herein applied for are issuable pursuant to the Plan for the Sale of Class A Common Stock of Domestic Credit Corporation to its Executives, Employees and Management Personnel (herein referred to as the "Plan") adopted by the Board of Directors on June 20, 1947, in conformity with the terms of a decree entered that date by the Superior Court of Cook County, Illinois, in the proceeding entitled "Richard T. Magner, et al, plaintiffs v. Domestic Industries, Inc., et al, defendants, No. 46S 20805," and approved and authorized by the stockholders of the Corporation at the annual meeting thereof held December 9, 1947. Payment for the shares, which are to be offered at a price of \$3.49 per share, may be made in monthly payments over a period of ten years and the shares will be issued as partially paid and assessable until paid for in full. With certain exceptions, the shares are not transferable until after one year from date of issuance, and the transferability thereof is further restricted in the case of certain purchasers. A copy of the Plan is on file with The Chicago Stock Exchange as an exhibit to the listing application, and reference is made thereto for a full and complete statement of its terms and provisions.

OPINION OF COUNSEL

Messrs. Pam, Hurd & Reichmann, 231 South La Salle Street, Chicago, Illinois, counsel for the Corporation have stated that:

(a) The Corporation has full power and authority to issue 150,000 shares of its Class A Common Stock under and pursuant to the Provisions of the Plan, as adopted by the Board of Directors and authorized and approved by the stockholders.

(b) Such shares, upon the original issuance thereof as partially paid and assessable shares, will be validly issued and will be partially paid and assessable shares to the extent set forth in said Plan, and upon payment therefor in full as in said Plan provided such shares will constitute the validly issued securities of the Corporation and will be full paid and nonassessable.

(c) The Corporation has registered such 150,000 shares of its Class A Common Stock with the Securities and Exchange Commission under the Securities Act of 1933, as amended, Registration Statement file No. 2-7362, which Registration Statement became effective on April 17, 1948.

JUN 30 1948

UNIVERSITY OF ILLINOIS

Sundstrand Machine Tool Co.

(An Illinois Corporation)

(Herein called the "Company")

Common Shares

Par Value \$5 Per Share

Prepared by the Company

for

The Chicago Stock Exchange

The Company has made application to list on The Chicago Stock Exchange, 188,128 additional Common Shares of the par value of \$5 per share upon notice of issuance as a share for share distribution, in the nature of a stock split-up, to the holders of its presently outstanding Common Shares. This application was approved by the Executive Committee of the Exchange on June 11, 1948.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE CHICAGO STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Sundstrand Machine Tool Co.

(An Illinois Corporation)

Common Shares

Par Value \$5 Per Share

LISTING

Reference is hereby made to the previous listing applications of the Company dated June 16, 1937 and September 30, 1941, for the listing, respectively, of 138,182 and 62,709 Common Shares of the Company of the par value of \$5 each. On July 25, 1937 the Company delisted 11,303 shares since the purpose for such listing no longer existed. At the date of the filing of the application hereinafter mentioned, 189,588 shares, of which 1460 shares are held as Treasury shares, were duly listed on The Chicago Stock Exchange.

The Company has made application to list on The Chicago Stock Exchange 188,128 additional Common Shares of the par value of \$5 each upon notice of issuance, which shares are to be issued and distributed, in the nature of a stock split-up, share for share, to the holders of the 188,128 Common Shares of the Company presently outstanding. This application was approved by the Executive Committee of the Exchange on June 11, 1948.

CAPITALIZATION

The capitalization of the Company as of May 31, 1948, and as adjusted to give effect to the issuing of 188,128 Common Shares hereby applied for, is as follows:

	As of May 31, 1948		As Adjusted	
	Authorized	Outstanding	Authorized	Outstanding
3 3/8% Sinking Fund Debentures, \$100,- 000 maturing annually November 1, 1948, to 1956, inclusive	\$1,000,000	\$900,000	\$1,000,000	\$900,000
Common Shares of the par value of \$5 each	500,000	188,128	500,000	376,256

PURPOSE OF ISSUE

The 188,128 Common Shares of the Company herein applied for are issuable as a share for share distribution, in the nature of a stock split-up, to the holders of the presently outstanding 188,128 Common Shares of the Company pursuant to a resolution adopted by the Board of Directors on June 3, 1948. Such additional shares are to be issued on June 25, 1948 to shareholders of record as of June 15, 1948 out of the authorized but unissued Common Shares of the Company. The purpose of such stock distribution is ultimately to obtain a wider distribution of shares of the Company.

OPINION OF COUNSEL

Messrs. Pam, Hurd & Reichmann, 231 South LaSalle Street, Chicago, Illinois, counsel for the Company, have stated that the Company has lawful authority to issue the additional Common Shares mentioned herein, and said shares, when issued and delivered will constitute validly issued, full paid and non-assessable shares of the Company, and that registration of such shares under the Securities Act of 1933 is not required, no sale being involved.

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UNIVERSITY OF ILLINOIS

Carr-Consolidated Biscuit Company

(an Illinois Corporation)

Common Stock
Par Value \$1 Per Share

Prepared by the Company

for

The Chicago Stock Exchange

There have been heretofore listed on The Chicago Stock Exchange 726,009 shares of Common Stock of the par value of \$1 per share. Application has been made for the additional listing of 43,200 shares of additional common stock on The Chicago Stock Exchange upon notice of issuance. Said additional shares are to be issued as explained in this Supplemental Circular.

This application was approved by the Executive Committee of The Chicago Stock Exchange on June 17, 1948.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE CHICAGO STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Carr-Consolidated Biscuit Company

(an Illinois Corporation)

Common Stock
Par Value \$1 Per Share

Carr-Consolidated Biscuit Company (hereinafter sometimes called the "Company") has heretofore listed on The Chicago Stock Exchange 726,009 shares of Common Stock, Par Value \$1 per share. Application has been made for the additional listing of 43,200 shares of additional Common Stock on The Chicago Stock Exchange, upon notice of issuance. Said additional shares are to be issued as explained below under the heading "Purpose of Issue". The Application to list said additional shares was approved by the Executive Committee of The Chicago Stock Exchange on June 17, 1948.

CAPITALIZATION

<u>Title of Issue</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>	<u>Shares to be Outstanding on Completion of Offering</u>
Common Stock, Par Value \$1 per share.....	1,000,000	726,009	769,209

PURPOSE OF ISSUE

The 43,200 shares of additional Common Stock aforesaid are to be delivered in kind, at settlement on or before July 15, 1948, by Carr-Consolidated Biscuit Company to J. S. Ivins' Son, Inc., of Philadelphia, Pennsylvania, as part payment for the purchase by the former from the latter of (1) good will, name, trade marks and formulae, at the price of \$1.00; and of (2) actual inventories (raw materials, finished stock and work in process, containers and shipping supplies), at the lower of cost or market, as at May 31, 1948; fixed assets (consisting of machinery, equipment and automobiles) at cost less reserve for depreciation, as at May 31, 1948; a \$100 security investment; and prepaid expense and deferred charges as at May 31, 1948. The values at May 31, 1948 will be those set forth in the financial statement of J. S. Ivins' Son, Inc. for that date as prepared by its regular independent public accountants, Peat, Marwick, Mitchell & Co., Philadelphia, Pennsylvania. As of April 30, 1948 the balance sheet of J. S. Ivins' Son, Inc. showed the aggregate net value of the aforesaid assets as slightly more than \$300,000, and the Company understands that a like financial statement as at May 31, 1948, not yet completed, will not show any substantial decrease in such aggregate net value. At settlement the Company will deliver the 43,200 shares to J. S. Ivins' Son, Inc. at an agreed value of \$199,800 (\$4.625 per share), and concurrently will pay the estimated \$100,000 balance of the purchase price one-half in cash and one-half by its negotiable 30-day promissory note.

OPINION OF COUNSEL

The legal opinion of Brown, Fox and Blumberg, 231 South LaSalle Street, Chicago 4, Illinois, covering the authorization, issuance and validity of the shares for which Application for Listing has been made, is filed with The Chicago Stock Exchange in support of the Application. Said opinion states that the shares of Common Stock, par value \$1 per share, for which Application for Listing has been made, when issued, will be fully paid and non-assessable and no personal liability will attach to the holder thereof.

G. Heileman Brewing Company

(A corporation of the State of Delaware)

CAPITAL STOCK

(Par Value \$1 per share)

Prepared by the Company

for

The Chicago Stock Exchange

There have heretofore been listed 300,000 shares of Capital Stock of the par value of \$1 per share. Application has been made for the additional listing of 150,000 shares of Capital Stock of the par value of \$1 per share.

This application was approved by the Executive Committee of The Chicago Stock Exchange on September 1, 1948.

G. Heileman Brewing Company

(A corporation of the State of Delaware)

CAPITAL STOCK

(Par Value \$1 per share)

Reference is hereby made to the original application of G. Heileman Brewing Company, a corporation of the State of Delaware, to list on The Chicago Stock Exchange a total of 300,000 shares of its Capital Stock of the par value of \$1 per share, approved on May 22, 1935, and to circular No. 1523 of The Chicago Stock Exchange for details in connection with the original listing.

The Company has made application to list an additional 150,000 shares of its Capital Stock of the par value of \$1 per share. Said application was approved by the Executive Committee of The Chicago Stock Exchange on September 1, 1948.

CAPITALIZATION

<u>Kind of Security</u>	<u>Authorized</u>	<u>To Be Outstanding</u>
Capital Stock of the par value of \$1 per share	700,000 shares	450,000 shares

PURPOSE OF THIS ISSUE

The Board of Directors of the Company on August 10, 1948, declared a stock split-up in the form of a stock dividend for the purpose of capitalizing a part of the paid-in surplus of the Company and provided for the distribution among the stockholders of the Company of one-half share of additional Capital Stock for each of the 300,000 shares of Capital Stock then outstanding. The resolution of the Board of Directors provided for distribution of the said stock split-up in the form of a stock dividend, in the aggregate amount of 150,000 shares of Capital Stock, on September 10, 1948, to the holders of outstanding Capital Stock of the Company at the close of business on September 1, 1948. Provision was made for the transfer, when the said 150,000 additional shares of Capital Stock had been issued as above set forth, from the paid-in surplus of the Company to the capital account of the Company of the sum of \$150,000.00.

BUSINESS AND PROPERTY

There has been no change in the general character or nature of the business of the Company since the previous application. Changes in the properties of the Company have not been occasioned by changes in the character of its business and have consisted principally of tearing down of an old malt house, erection of a new brew house building, erection of batteries of 22,500 barrel cellars, improvements in power plant equipment and buildings and purchase of a malting plant located south of the brewery in LaCrosse, Wisconsin.

MANAGEMENT

The officers and directors of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Nordal Nustad	615 West Avenue South LaCrosse, Wisconsin	President and Director
F. B. Evans	10 South LaSalle Street Chicago, Illinois	Vice President and Director
John J. Desmond	2514 Main Street LaCrosse, Wisconsin	Secretary, Treasurer and Director
C. B. Goes, Jr.	42 West 61st Street Chicago, Illinois	Director
Robert D. Gordon	39 South LaSalle Street Chicago, Illinois	Director
William J. Warmington	517 W. Broadway Winona, Minnesota	Director
Quincy Hale	2127 Grandview Place LaCrosse, Wisconsin	Director
Roy E. Kumm	1225 South 19th Street LaCrosse, Wisconsin	Assistant Secretary, Assistant Treasurer and Controller

OPINION OF COUNSEL

An opinion has been given by Chapman and Cutler, Chicago, Illinois, that the 150,000 shares of Capital Stock distributed as a stock dividend in the form of a split-up as hereinabove set forth upon issuance thereof in accordance with the resolution of the Board of Directors referred to above under "Purpose of This Issue" constitute validly issued Capital Stock of the Company, full paid and non-assessable, and that no registration of said shares under the Securities Act of 1933, as amended, is necessary prior to the distribution thereof to the stockholders.

The Peoples Gas Light and Coke Company

(an Illinois corporation)

3% Convertible Debentures Due December 1, 1963

Convertible into shares of the Capital Stock of the Company.

CAPITAL STOCK

Par Value \$100 (Voting)

Prepared by the Company

for

The Chicago Stock Exchange

There have been heretofore listed on The Chicago Stock Exchange 656,000 shares of Capital Stock, having a par value of \$100 per share. Application has been made for the listing on The Chicago Stock Exchange of \$16,400,000 principal amount of said Debentures and of 164,000 additional shares of Capital Stock issuable upon conversion of the Debentures. Said securities are to be issued as explained in this Supplemental Circular.

This application was approved by the Executive Committee of The Chicago Stock Exchange on September 28, 1948.

The Peoples Gas Light and Coke Company

(an Illinois corporation)

3% Convertible Debentures Due December 1, 1963

Convertible into shares of the Capital Stock of the Company.

Capital Stock

Par Value \$100 (Voting)

Reference is hereby made to the Prospectus, dated October 22, 1948, issued in accordance with the requirements of the Securities Act of 1933 in connection with the offering of \$16,400,000 principal amount of the Company's 3% Convertible Debentures, due December 1, 1963, convertible into shares of the Capital Stock of the Company at any time to and including the date of maturity, unless called for previous redemption, at the following conversion prices: through December 1, 1953, at \$100 per share; thereafter and through December 1, 1958, at \$105 per share; and thereafter through December 1, 1963, at \$110 per share; any excess of the conversion price over \$100 being payable to the Company in cash at the time of conversion.

Reference is also made to the previous applications of The Peoples Gas Light and Coke Company, especially the one last filed, dated November 12, 1931, under which all shares of its Capital Stock now outstanding are listed on The Chicago Stock Exchange. The Company has now applied for the listing on The Chicago Stock Exchange of its 3% Convertible Debentures, due December 1, 1963, in the aggregate principal amount of \$16,400,000, and of an additional 164,000 shares of its Capital Stock upon conversion of the Debentures and official notice of issuance, making the total Capital Stock now listed and applied for 820,000 shares.

DEBENTURES AND CAPITAL STOCK

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized Principal Amount</u>
3% Convertible Debentures . . .	12/1/48	12/1/63	3%	\$16,400,000

	<u>Dividend Rate</u>	<u>Par Value</u>	<u>Shares Authorized by Charter</u>	<u>Shares now Outstanding</u>	<u>Shares to be Outstanding upon Con- version of all Debentures</u>
Capital Stock.....	\$6.00	\$100	1,000,000	656,000	820,000

TERMS OF OFFERING

The \$16,400,000 principal amount of Debentures were offered by the Company for subscription to holders of the outstanding Capital Stock of record at the close of business on October 22, 1948, at the rate of \$100 principal amount of said Debentures for each four (4) shares of Capital Stock then held, at the Subscription Price of \$100 for each \$100 principal amount of Debentures subscribed for. The right to subscribe is evidenced by Full Subscription Warrants, in registered form, for four (4) rights or multiples thereof, entitling the registered holder or assignee to subscribe for \$100 principal amount of Debentures or multiples thereof, and Fractional Subscription Warrants, in bearer form, for one (1) right each, which, when combined with other Fractional Subscription Warrants to represent an aggregate of four (4) rights or multiples thereof, entitle the holder to subscribe for \$100 principal amount of Debentures or multiples thereof. All such rights will expire at 3 P.M. (Central Standard Time) on December 1, 1948. The Company has entered into an underwriting agreement with Halsey, Stuart & Co. Inc., 123 South La Salle Street, Chicago 90, Illinois (hereinafter sometimes referred to as "Underwriter"), which provides among other things that upon the terms and conditions thereof the Company will sell to the Underwriter and the Underwriter will purchase from the Company, at the Subscription Price plus accrued interest from December 1, 1948 to date of delivery, such of the Debentures as are not purchased upon exercise of such rights and that in addition thereto the Underwriter shall pay to the Company fifty per cent (50%) of the aggregate amount received by the Underwriter in excess of one hundred per cent (100%), but not in excess of one hundred four per cent (104%), of the principal amount of the unsubscribed Debentures resold by them prior to December 22, 1948, and seventy-five per cent (75%) of the aggregate amount received by the Underwriter in excess of one hundred four per cent (104%) of the principal amount of the unsubscribed Debentures so sold, in either case exclusive of accrued interest and less concessions to dealers, brokerage fees and transfer taxes paid or allowed by the Underwriter, and other out-of-pocket expenses incident to said sales.

REDEMPTION PROVISIONS

The Debentures are redeemable at the option of the Company at any time prior to maturity, as a whole at any time or in part from time to time upon not less than thirty days' and not more than sixty days' published notice, at the following redemption prices expressed in percentages of principal amount:

If redeemed:

	<u>Redemption Price</u>
On or before November 30, 1953.....	103%
Thereafter, to and including November 30, 1958.....	102%
Thereafter, to and including November 30, 1962.....	101%
Thereafter to maturity.....	100%

together, in each case, with accrued interest to the date fixed for redemption.

PURPOSE OF ISSUE

The Company intends to apply the net proceeds from the sale of the Debentures, exclusive of accrued interest and after deduction of expenses in connection with such sale, for financing the construction of certain special projects of the Company and one of its subsidiaries which are outside normal construction requirements and which have been approved by the Board of Directors, for other like special construction projects which may hereafter similarly be so approved, for the possible purchase of additional shares of capital stock of Natural Gas Pipeline Company of America and Texoma Natural Gas Company, should such additional shares hereafter be acquired by the Company, and for the possible acquisition by the Company of shares of stock of other natural gas pipeline companies which may hereafter, directly or indirectly, supply natural gas to the Company. How much of the proceeds from the sale of the Debentures will be applied to any one of the purposes above enumerated and the order of priority of such application cannot be stated at this time. Reference is made to the said Prospectus under the caption "Application of Proceeds."

OPINION OF COUNSEL

The legal opinion of Messrs. Daily, Dines, White & Fiedler, 122 South Michigan Avenue, Chicago 3, Illinois, counsel for the Company, covering the authorization, issuance and validity of the said Debentures and the said shares of Capital Stock, for which application for listing has been made, is filed with The Chicago Stock Exchange in support of the application. Said opinion states that (a) the Company is a corporation, duly organized and validly existing under the laws of the State of Illinois; (b) all necessary corporate action has been taken to legally and validly authorize the issuance of said securities; (c) all acts have been taken which are necessary to register said securities under the Securities Act of 1933, as amended, and to comply with the provisions of the Securities Exchange Act of 1934, as amended; (d) the said \$16,400,000 principal amount of Debentures, when issued, will be the valid, binding and legal obligations of the Company; and (e) the shares of the Capital Stock of the Company, when issued upon conversion of the Debentures, in accordance with the terms thereof and of the Indenture under which the Debentures will be issued, will be full-paid and non-assessable, and no personal liability will attach to the holder thereof.

Admiral Corporation

(A Delaware Corporation)

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UNIVERSITY OF ILLINOIS

CAPITAL STOCK

(\$1.00 Par Value)

Prepared by the Company

for

The Chicago Stock Exchange

There have been heretofore listed on The Chicago Stock Exchange 900,000 shares of Capital Stock, \$1.00 par value. Application has been made for the additional listing of 100,000 shares of additional Capital Stock on The Chicago Stock Exchange, upon notice of issuance as a stock dividend. Said additional shares are to be issued as explained in this Supplemental Circular.

The application was approved by the Executive Committee of The Chicago Stock Exchange on December 20, 1948.

Admiral Corporation

(A Delaware Corporation)

CAPITAL STOCK (\\$1.00 Par Value)

Admiral Corporation (hereinafter sometimes called the "Company") has heretofore listed on The Chicago Stock Exchange 900,000 shares of Capital Stock, \$1.00 par value. Application has been made for the additional listing of 100,000 shares of additional Capital Stock on The Chicago Stock Exchange upon notice of issuance as a stock dividend. Said additional shares are to be issued as explained below under the heading "Purpose of Issue". The application to list said additional shares was approved by the Executive Committee of The Chicago Stock Exchange on December 20, 1948.

CAPITALIZATION

<u>Title of Issue</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>	<u>Shares to be Outstanding after Payment of Stock Dividend</u>
Capital Stock, \$1.00 par value.....	1,000,000	900,000	1,000,000

PURPOSE OF ISSUE

The Board of Directors of the Company, at a meeting held December 6, 1948, in addition to declaring a cash dividend of 15¢ and an extra cash dividend of 25¢, declared a dividend payable in Capital Stock of the Company on December 31, 1948, to holders of the outstanding shares of Capital Stock of record at the close of business on December 18, 1948, and in payment thereof authorized the issuance of 100,000 full-paid and non-assessable shares of such Capital Stock. The ratio of the stock dividend is one-ninth of one share of Capital Stock for each share of Capital Stock issued and outstanding.

No certificate for any fraction of a share of Capital Stock will be issued in payment of said stock dividend. In lieu of fractional shares, the Company will issue Scrip Certificates. A Scrip Certificate will entitle the bearer thereof, upon surrender of the Scrip Certificate, at the Harris Trust and Savings Bank, 115 West Monroe Street, Chicago 90, Illinois (hereinafter called the "Scrip Agent"), together with one or more other Scrip Certificates of like tenor (similarly exchangeable at the time of surrender) aggregating one or more full shares of Capital Stock of the Company on or before January 2, 1951, to receive in exchange therefor a stock certificate or certificates for the whole share or shares of said Capital Stock called for by such surrendered Scrip Certificates, and a new Scrip Certificate for the fraction, if any, of a share of said Capital Stock in excess of the number of whole shares thereof called for by such surrendered Scrip Certificates.

No Capital Stock issued upon the surrender of Scrip Certificates will be entitled to dividends payable to stockholders of record as of a date prior to the issuance thereof.

The Scrip Certificate provides that on January 3, 1951, or as soon thereafter as may be practicable, the Scrip Agent shall sell the number of shares of Capital Stock of the Company represented by all Scrip Certificates of like tenor then outstanding and after such sale the bearer of the Scrip Certificate upon surrender thereof on or before December 31, 1954, will be entitled to receive a portion of the total of the net proceeds of such sale bearing the same proportion to the total as his right in respect of the fractional share represented by the Scrip Certificate shall bear to the total number of shares so sold. After December 31, 1954, the Scrip Certificate shall be entirely void.

The Board of Directors also resolved that there be transferred from earned surplus the sum of \$12.00 for each of the 100,000 shares of Capital Stock to be issued in connection with the stock dividend and that \$1.00 of said amount be credited to the capital of the Company and \$11.00 to its capital surplus. The consolidated net income of the Company and its subsidiaries for the ten months ended October 31, 1948, after deducting cash dividends on the Company's Capital Stock is in excess of said charge to earned surplus. The figure of \$12.00 approximates the average of the high and low market prices of the Capital Stock for each of the twelve months commencing December 1947. No disposition of the capital surplus thus created is contemplated at this time.

OPINION OF COUNSEL

The opinion of Messrs. Pope & Ballard, of Chicago, Illinois, counsel for the Company, has been filed with The Chicago Stock Exchange. Therein counsel gave their opinion that the Company is a corporation duly organized and existing under the laws of the State of Delaware; that the Company is authorized to issue a total of 1,000,000 shares of Capital Stock, of \$1.00 par value; that the Company has issued and that there are now outstanding 900,000 of such shares, all of which are valid, full-paid and non-assessable; and that the 100,000 shares, when issued in payment of the stock dividend, will be valid, full-paid and non-assessable.

GENERAL INFORMATION

Transfer Agents: Harris Trust and Savings Bank, Chicago 90, Illinois.

The National City Bank of New York, New York 15, N. Y.

Registrars: Continental Illinois National Bank and Trust Company of Chicago, Chicago 90, Illinois.

Guaranty Trust Company of New York, New York 15, N. Y.

The annual meeting of the stockholders of the Company is held on the second Thursday in April in each year if not a legal holiday, and if a legal holiday then on the next secular day following, at 2:00 P.M., at the office of the Company in Chicago, Illinois.

The principal office of the Company is located at 3800 Cortland Street, Chicago 47, Illinois.

JAN 4 1949
UNIVERSITY OF ILLINOIS

Masonite Corporation

(A Delaware Corporation)

Common Stock
(Without Par Value)

Prepared by the Company

for

The Chicago Stock Exchange

Masonite Corporation made application to list on The Chicago Stock Exchange 81,250 additional shares of Common Stock, without par value.

Said application was approved by the Executive Committee of The Chicago Stock Exchange on November 8, 1948.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE CHICAGO STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Masonite Corporation

(A Delaware Corporation)

Common Stock

(Without Par Value)

Reference is made (1) to the original application of Masonite Corporation (hereinafter sometimes referred to as the "Company") to list on The Chicago Stock Exchange 266,689 shares of its Common Stock, without par value, approved by the Governing Committee of said Exchange on November 20, 1935 (Circular No. 1530), (2) to the supplemental application to said Exchange to list 576,048 shares of its Common Stock, without par value, approved by the Governing Committee of said Exchange on August 26, 1936 (Circular No. 1557) and (3) to the supplemental application to said Exchange to list 60,790 additional shares of its Common Stock, without par value, approved by action of the Executive Committee of said Exchange on February 8, 1944 (Circular No. 1690).

Masonite Corporation has made application to list on The Chicago Stock Exchange 81,250 additional shares of said Common Stock, without par value, on official notice of issuance. Said application was approved by action of the Executive Committee on November 8, 1948.

CAPITALIZATION

The capitalization of the Company as of November 5, 1948 is as follows:

<u>Title of Class</u>	<u>Amount</u>
3% Promissory Note, payable \$300,000 annually on July 1, 1950 to 1962, with balance of \$1,100,000 due January 1, 1963	\$5,000,000 Authorized \$5,000,000 Outstanding
2½% Promissory Notes, payable \$100,000 annually on August 31, 1949 to 1958 (secured by trust deed on certain timber lands)	\$1,000,000 Authorized \$1,000,000 Outstanding
Preferred Stock, par value \$100 per share	50,000 shares Authorized No shares outstanding
Common Stock, without par value	700,000 shares Authorized 600,000 shares Outstanding 81,250 shares Reserved*

*By resolution adopted on November 3, 1948 the Board of Directors authorized the issuance of up to 81,250 shares of the Common Stock of Masonite Corporation in exchange for the outstanding stock of Marsh Wall Products, Inc.

PURPOSE OF ADDITIONAL ISSUE

Pursuant to resolution of the Board of Directors of the Company adopted November 3, 1948, on December 11, 1948 the Company offered to exchange up to 81,250 shares of its authorized but unissued Common Stock, without par value, for all the outstanding shares of Marsh Wall Products, Inc. (an Ohio corporation). An exchange rate of one share of the Company's Common Stock, without par value, for eight shares of the issued and outstanding Common Shares, par value \$1 per share, of Marsh Wall Products, Inc. was established in such Exchange Offer. The Exchange Offer was made to all stockholders of Marsh Wall Products, Inc. and was conditioned on acceptance by the holders of at least 80% of the outstanding Common Shares of Marsh Wall Products, Inc.

The Company made the Exchange Offer to acquire at least 80% of the stock of Marsh Wall Products, Inc. and to operate such Company as a subsidiary of Masonite Corporation. The Company will debit its "Investment in Subsidiary" account with \$52.50 and credit its "Common Stock" account with a like amount, in respect of each share of Common Stock, without par value, issued pursuant to the Exchange Offer.

OPINION OF COUNSEL

Messrs. McDermott, Will & Emery of Chicago, Illinois, Counsel for the Company, has stated that, in their opinion, the issue of said 81,250 additional shares of Common Stock, without par value, is within the authorized amount of said shares, that the issue and exchange of said shares is legal and has been properly authorized, and that upon issuance in exchange for the shares of Marsh Wall Products, Inc. in the manner authorized, said shares will be validly issued and outstanding, full-paid and nonassessable.

Sunbeam Corporation

(An Illinois Corporation)

COMMON STOCK

(No Par Value)

Prepared by the Company

for

The Chicago Stock Exchange

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UNIVERSITY OF ILLINOIS

Sunbeam Corporation has made application to list and register on The Chicago Stock Exchange, upon notice of issuance, 135,000 shares of Common Stock, of no par value, which application was approved by the Executive Committee of the Exchange on February 24, 1949.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE CHICAGO STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Sunbeam Corporation

(An Illinois Corporation)

COMMON STOCK

(No Par Value)

LISTING

Reference is hereby made to previous listing application of Sunbeam Corporation (then Chicago Flexible Shaft Company) covering 180,000 shares of its Common Stock, of a par value of \$5.00 per share, which was approved by the Governing Committee of The Chicago Stock Exchange on September 5, 1929; and to previous application to list 540,000 shares of Common Stock of no par value, approved by the Executive Committee of the Chicago Stock Exchange on July 25, 1944.

The Company has made application to list 135,000 additional shares of its Common Stock of no par value on The Chicago Stock Exchange, all of which are to be registered upon notice of issuance, which application was approved by the Executive Committee of the Exchange on

CAPITALIZATION

The capitalization of the Company as of April 11, 1949, is as follows:

	Authorized	Outstanding as of April 11, 1949
Common Stock, no par value	1,080,000	675,000

PURPOSE OF ISSUANCE

At a meeting duly called and held on February 23, 1949, the Stockholders of the Company authorized an amendment to the Articles of Incorporation of the Company increasing the number of shares which the Company is authorized to issue from 540,000 shares of Common Stock of no par value to 1,080,000 shares of Common Stock of no par value.

At a meeting duly called and held on February 23, 1949, the Board of Directors of the Company declared a stock dividend of 25% on the then outstanding Common Stock, payable in Common Stock, on April 11, 1949, to the holders of Common Stock of record at the close of business on March 21, 1949. All of the 135,000 shares of Common Stock will be issued and distributed in payment of this stock dividend. On February 23, 1949, there was transferred from earned surplus to stated capital, the sum of \$3,240,000.

Bearer scrip for one-fourth shares each, will be issued in lieu of fractional shares (resulting from said stock dividend) and by its terms, among other things, the holders of such scrip have a period of two years from the date of issue thereof, i.e. April 11, 1949, in which to consolidate such scrip into one or more full shares of Common Stock. After said two year period the exchange agent for such scrip, The First National Bank of Chicago, will sell, for cash, upon any national securities exchange upon which the said shares of the Company may then be listed, (or if any such shares cannot then be sold on any exchange, then in such other manner as the exchange agent may determine) an amount of Common Stock equivalent to the aggregate of all unconsolidated scrip then outstanding and will hold the proceeds for the following two years for the benefit and on demand of the then holders of such unconsolidated scrip in the proportions to which they may be entitled. At the close of business on April 10, 1953 the scrip will then become null and void and any funds then in the hands of the exchange agent shall be paid into the Treasury of the Company.

OPINION OF COUNSEL

Messrs. Hay, Morton, Finn and Van Mell, attorneys at law, of Chicago, Illinois, have stated that the issuance of said 135,000 shares of Common Stock has been properly authorized and the shares when issued in accordance with the terms of such authorization will be fully paid and non-assessable.

Admiral Corporation

(A Delaware Corporation)

CAPITAL STOCK

(\$1.00 Par Value)

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UNIVERSITY OF ILLINOIS

Prepared by the Company

for

The Chicago Stock Exchange

There have been heretofore listed on The Chicago Stock Exchange 1,000,000 shares of Capital Stock, \$1.00 par value. Application has been made for the additional listing of 1,000,000 shares of additional Capital Stock on The Chicago Stock Exchange, upon notice of issuance in connection with a share-for-share distribution. Said additional shares are to be issued as explained in this Supplemental Circular.

The application was approved by the Executive Committee of The Chicago Stock Exchange on November 10, 1949.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE CHICAGO STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Admiral Corporation

(A Delaware Corporation)

Capital Stock

(\$1.00 Par Value)

Admiral Corporation (hereinafter sometimes called the "Company") has heretofore listed on The Chicago Stock Exchange 1,000,000 shares of Capital Stock, \$1.00 par value. Application has been made for the additional listing of 1,000,000 shares of additional Capital Stock on The Chicago Stock Exchange upon notice of issuance in connection with a share-for-share distribution. Said additional shares are to be issued as explained below under the heading "Purpose of Issue". The application to list said additional shares was approved by the Executive Committee of The Chicago Stock Exchange on November 10, 1949.

CAPITALIZATION

<u>Title of Issue</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>	<u>Shares to be Outstanding After Pay- ment of Stock Distribution</u>
Capital Stock, \$1.00 par value	2,000,000	1,000,000	2,000,000

PURPOSE OF ISSUE

The Board of Directors of the Company, at a meeting duly called and held October 11, 1949, adopted resolutions which, among other things, authorized a 100 per cent stock distribution in the nature of a stock split-up to holders of the outstanding shares of Capital Stock of record at the close of business on November 21, 1949, and in payment thereof authorized the issuance of 1,000,000 full-paid and non-assessable shares of such Capital Stock, if the stockholders of the Company approved an increase of 800,000 shares in the number of authorized shares of the Company at a meeting of stockholders to be held on November 9, 1949. Stockholders of the Company held a meeting on November 9, 1949, and approved an amendment to Article Fourth of the Certificate of Incorporation authorizing an increase of 800,000 shares, par value \$1.00, in the Capital Stock of the Company. The total number of shares which the Company now has authority to issue is 2,000,000. The ratio of the stock distribution is one share of additional stock for each share of Capital Stock issued and outstanding. This distribution will be made on December 8, 1949.

Upon issuance of one share of Capital Stock for each share of the Company's outstanding stock, the Company will transfer on its books from earned surplus to capital account a sum equal to \$1.00 for each of the 1,000,000 shares of Capital Stock to be issued in connection with the stock distribution. The consolidated net income of the Company and its subsidiaries for the 9 months ending September 30, 1949, after deducting cash dividends on the Company's Capital Stock is in excess of said charge to earned surplus.

OPINION OF COUNSEL

The opinion of Messrs. Pope & Ballard, of Chicago, Illinois, counsel for the Company, has been filed with The Chicago Stock Exchange. Therein counsel gave their opinion that the Company is a corporation duly organized and existing under the laws of the State of Delaware; that the Company is authorized to issue a total of 2,000,000 shares of Capital Stock, of \$1.00 par value; that the Company has issued and that there are now outstanding 1,000,000 of such shares, all of which are valid, full-paid and non-assessable; and that the 1,000,000 shares, when issued in payment of the stock distribution, will be valid, full-paid and non-assessable.

GENERAL INFORMATION

<i>Transfer Agents:</i>	HARRIS TRUST AND SAVINGS BANK, Chicago 90, Illinois. THE NATIONAL CITY BANK OF NEW YORK, New York 15, N. Y.
<i>Registrars:</i>	CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, Chicago 90, Illinois. GUARANTY TRUST COMPANY OF NEW YORK, New York 15, N. Y.

The annual meeting of the stockholders of the Company is held on the second Thursday in April in each year if not a legal holiday, and if a legal holiday then on the next secular day following, at 2:00 P. M., at the office of the Company in Chicago, Illinois.

The principal office of the Company is located at 3800 Cortland Street, Chicago 47, Illinois.

ADMIRAL CORPORATION

By Lynn C. Park

Public Service Company of Indiana, Inc.

Common Stock
without par value

3½% Cumulative Preferred Stock
having a par value of \$100. per share

4.64% Cumulative Preferred Stock
having a par value of \$100. per share

(Convertible through December 31, 1952 into Common Stock, unless called for previous redemption, in which event the conversion right will expire on the date fixed for redemption)

Prepared by the Company
for

Midwest Stock Exchange

This application was approved by the Executive Committee of Midwest Stock Exchange on December 30, 1949.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS HEREIN CONTAINED.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the Company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time, for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned Company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the Company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen (15) days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange, it being understood, however, that substantially concurrently with the filing of this application the Company has filed an application with the New York Stock Exchange for the listing on that exchange of all the aforesaid stocks of the Company.

Nothing in these agreements shall obligate the Company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the Company.

GENERAL INFORMATION

The fiscal year of the Company ends on December 31 each year.

The business address of the Company is 110 North Illinois Street, Indianapolis 9, Indiana.

The statutory address of the Company is 110 North Illinois Street, Indianapolis 9, Indiana.

The annual meeting of the shareholders of the Company is now held on the first Monday in April in each year, at 110 North Illinois Street, Indianapolis 9, Indiana. The holders of one half of all the issued and outstanding shares of stock (common and preferred) of the Company, represented in person or by proxy, constitute a quorum of the shareholders for all purposes unless a different number shall be required by law.

The Transfer Agents for the transfer of shares of the stocks of the Company are as follows:

(1) Common Stock

Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago 90, Illinois, and Bankers Trust Company, 16 Wall Street, New York 15, New York.

(2) 3½% Preferred Stock

Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago 90, Illinois, and Bankers Trust Company, 16 Wall Street, New York 15, New York.

(3) 4.64% Preferred Stock

Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago 90, Illinois, and Bankers Trust Company, 16 Wall Street, New York 15, New York.

The Registrars for the registration of shares of the stocks of the Company are:

(1) Common Stock

The First National Bank of Chicago, 38 South Dearborn Street, Chicago 90, Illinois, and The Chase National Bank of The City of New York, 11 Broad Street, New York 15, New York.

(2) 3½% Preferred Stock

City National Bank and Trust Company of Chicago, 208 South LaSalle Street, Chicago 90, Illinois, and The Chase National Bank of The City of New York, 11 Broad Street, New York 15, New York.

(3) 4.64% Preferred Stock

The First National Bank of Chicago, 38 South Dearborn Street, Chicago 90, Illinois, and The Chase National Bank of The City of New York, 11 Broad Street, New York 15, New York.

PUBLIC SERVICE COMPANY OF INDIANA, INC.

By

R. A. GALLAGHER
President.

PROSPECTUS

142,132 Shares

Public Service Company of Indiana, Inc.

PUBLIC SERVICE COMPANY OF INDIANA, INC.

142,132 Shares

4.64% Cumulative Preferred Stock

Par Value \$100. Per Share

(Convertible through December 31, 1952 into Common Stock,
unless called for previous redemption, in which event the
conversion right will expire on the date fixed for redemption)

Supplement dated December 15, 1949 to Prospectus dated December 2, 1949

Of the 142,132 shares of 4.64% Cumulative Preferred Stock offered by the Company for subscription, 119,464 shares were subscribed for by holders of the Subscription Warrants and the remaining 22,668 unsubscribed shares will be purchased by the Underwriters at \$116. per share, plus accrued dividends, subject to the terms and conditions of the Purchase Agreement.

The Company has been advised by the Representative of the Underwriters as follows:

Prior to expiration of the Subscription Warrants, the Representative, for the accounts of the several Underwriters, (1) purchased at prices ranging from $\frac{1}{2}\text{¢}$ to 3¢ per subscription right, for an aggregate sum of \$14,546.57, Subscription Warrants entitling them to subscribe for 50,977 shares of 4.64% Cumulative Preferred Stock, (2) exercised all of such Subscription Warrants, and (3) sold, on a when-issued basis, 49,345 shares of 4.64% Cumulative Preferred Stock, at prices ranging from \$116. to \$116.75 per share, plus accrued dividends, for an aggregate sum of \$5,733,778.75, plus accrued dividends.

After giving effect to the foregoing transactions and the purchase of 22,668 unsubscribed shares from the Company, the Underwriters will own an aggregate of 24,300 shares of 4.64% Cumulative Preferred Stock, which they intend to offer to certain institutional purchasers at a price of \$116. per share, plus accrued dividends. If all of such 24,300 shares are sold by the Underwriters at the price indicated, and giving effect to the transactions referred to in clauses (1), (2) and (3) of the preceding paragraph, the Underwriters will realize an aggregate gross profit, before expenses, of \$7,695.89 in addition to the compensation of \$561,421 payable by the Company to the Underwriters as provided in the Purchase Agreement.

The several Underwriters named herein include:

Blyth & Co., Inc.

Kidder, Peabody & Co.

Smith, Barney & Co.

Dean Witter & Co.

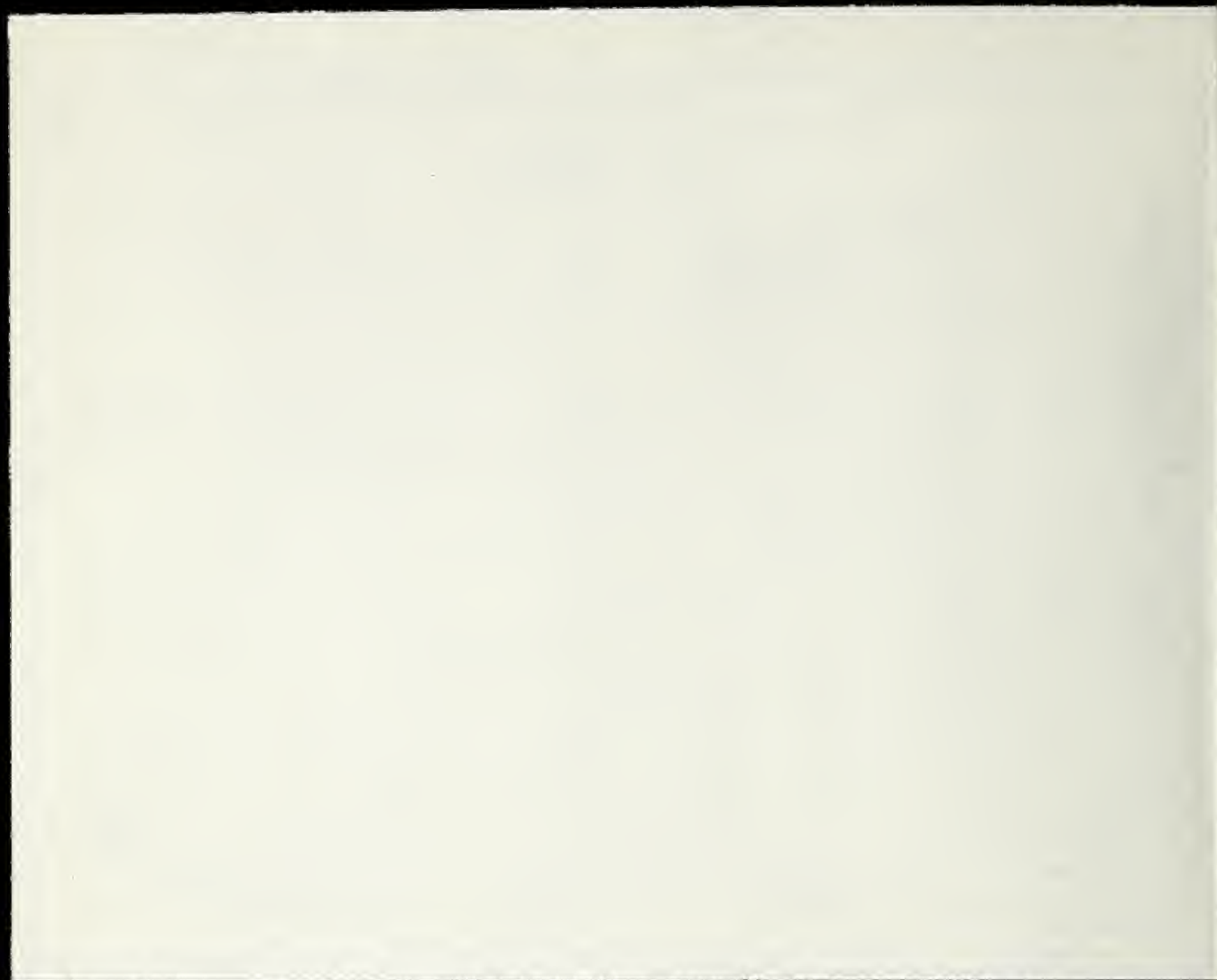
A. C. Allyn and Company
Incorporated

A. G. Becker & Co.
Incorporated

Central Republic Company
(Incorporated)

Spencer Trask & Co.

The date of this Prospectus is December 2, 1949.



PROSPECTUS

142,132 Shares

Public Service Company of Indiana, Inc.

4.64% Cumulative Preferred Stock

Par Value \$100. Per Share

(Convertible through December 31, 1952 into Common Stock, unless called for previous redemption, in which event the conversion right will expire on the date fixed for redemption)

As more fully set forth herein under "Subscription Offer," the Company is offering to the holders of its Common Stock the right to purchase the shares offered hereby through the exercise of transferable Subscription Warrants in registered form, at the subscription price shown below under "Price to Public." The Subscription Warrants expire at 3:00 P.M., Central Standard Time, on December 13, 1949.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public (1)	Underwriting Discounts and Commissions (2)	Proceeds to Company (3)
Total.....	\$16,487,312.	\$561,421.	\$15,925,891.
Per Share.....	\$116.00	\$3.95	\$112.05

(1) The Price to Public stated above is the subscription price to the holders of Subscription Warrants.

(2) The Underwriters have severally agreed to purchase from the Company at the Price to Public stated above, plus accrued dividends from December 1, 1949, to the date of delivery and payment, such of the New Preferred Stock offered hereby as shall not be subscribed for by holders of the Subscription Warrants, and the Company has agreed to pay to the Underwriters as compensation for their commitments and obligations the sum of \$561,421. Reference is made to "Purchasers" herein for a statement regarding certain indemnification agreements between the Company and the Underwriters.

(3) Plus accrued dividends as stated in note (2), and before deduction of expenses payable by the Company estimated at \$129,126.

Prior to the expiration of the Subscription Warrants, the Underwriters may offer shares of New Preferred Stock from time to time, on a when-issued basis or otherwise, at prices which shall not be less than the subscription price shown above (less, in the case of sales to dealers, the dealers' concession) or in excess of the price at which shares of such stock are currently being offered to the public by other dealers in the over-the-counter market, in any case plus accrued dividends from December 1, 1949. No such price shall be varied more than once in any 24-hour period except to be reduced. Any such offering may include shares acquired or to be acquired through the exercise of Subscription Warrants, or in anticipation of the purchase of unsubscribed shares, or otherwise. As a result, the Underwriters may realize profits or losses independent of the underwriting compensation stated above.

The several Underwriters named herein include:

Blyth & Co., Inc.

Kidder, Peabody & Co.

Smith, Barney & Co.

Dean Witter & Co.

A. C. Allyn and Company
Incorporated

Central Republic Company
(Incorporated)

A. G. Becker & Co.
Incorporated

Spencer Trask & Co.

The date of this Prospectus is December 2, 1949.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NEW PREFERRED STOCK AND OF THE SUBSCRIPTION WARRANTS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. IN THIS CONNECTION REFERENCE IS MADE TO "OFFERING BY PURCHASERS" HEREIN.

PURPOSE OF ISSUE AND CONSTRUCTION PROGRAM

Public Service Company of Indiana, Inc. (herein sometimes referred to as the "Company") is engaged in a construction program to meet the rapidly increasing demands for electric service in its territory and the proceeds to be received by the Company from the sale of the hereby offered 142,132 shares of its 4.64% Cumulative Preferred Stock having a par value of \$100. per share, convertible through December 31, 1952 into the Company's Common Stock without par value (unless called for previous redemption in which event the conversion right will expire on the date fixed for redemption) will be used by it to pay in part the cost of additions and improvements to be made by it to its properties. Said preferred stock is herein sometimes referred to as the "New Preferred Stock," and said above described common stock is herein sometimes referred to as the "Common Stock."

On the basis of current engineering and financial studies the Company estimates that its construction program will require aggregate expenditures of \$55,300,000. during the three and one-half year period from July 1, 1949 to December 31, 1952. Such estimated expenditures consist of \$21,734,000. for new generating station facilities, \$16,072,000. for major improvements and additions to the transmission and distribution systems and general facilities of the Company, and \$17,494,000. for all other additions, renewals and replacements. Additions to the electric generating capacity of the Company during this period will aggregate 140,000 kilowatts, consisting of a 60,000 kilowatt unit (Unit No. 8) at the Edwardsport Station, scheduled for completion late in 1951 and 80,000 kilowatts at a new station located on the White River near Noblesville. At June 30, 1949 \$1,904,000. had been expended on the Noblesville Station where the first unit of 40,000 kilowatts is scheduled for completion in 1950, and a second unit of like capacity is scheduled for completion in 1951.

Current financial studies indicate that the estimated cost (\$55,300,000.) of the construction program for the period from July 1, 1949 to December 31, 1952 can be met with cash and construction funds now on hand, funds becoming available through operations of the Company during the period and funds derived from the sale of the New Preferred Stock offered hereby.

If the present trend of increase in the demands for electric service should continue, further major additions to the Company's generating, transmission and distribution facilities would be necessary before the end of 1953. Such additions would require provision for expenditures during the years 1951 and 1952 which are not included in the above described program.

DIVIDEND RECORD

During the period since its creation on September 6, 1941, the Company has regularly paid full quarterly cash dividends on its outstanding preferred stocks.

In accordance with certain amendments to the articles of consolidation of the Company, which became effective November 1, 1948, each share of the Common Stock then outstanding was split into two shares of Common Stock.

Cash dividends on the Common Stock were paid at the rate of 25¢ per share (the equivalent of 12½¢ per share taking into account the stock split) per quarter during the period from September 6, 1941 to March 1, 1946, and three subsequent quarterly cash dividends of 45¢ per share (22½¢ on the split basis) were paid in 1946.

for long or short account, resulting from such purchases and sales including over-allotments, exceed 10% of the maximum number of shares which such Purchaser is obligated to purchase from the Company, *provided, also*, that this limitation shall be exclusive of purchases and sales made for the accounts of the several Purchasers prior to expiration of the Warrants as authorized by Section 4 of the Agreement Among Underwriters. Such purchases, sales and over-allotments under this authority shall be made for the respective accounts of the several Purchasers as nearly as practicable proportionate to their maximum purchase commitments to the Company. Each Purchaser agrees to take up at cost on demand any shares so purchased for its account and to deliver on demand any shares so sold for its account. The existence of said provision is no assurance that the price of the New Preferred Stock will be stabilized or that stabilization, if commenced, may not be discontinued at any time. Pursuant to said authority, in the event that any New Preferred Stock sold by or through any Purchaser (otherwise than through the Representative) shall be purchased or contracted for purchase by the Representative during the term of the Agreement Among Underwriters (or for such longer period as may be necessary to cover any short position), the Representative is authorized in its discretion to charge the account of the Purchaser originally purchasing such shares from the Company with an amount equal to the Selected Dealers' selling concession with respect thereto or in lieu thereof to require such Purchaser to repurchase such shares at a price equal to the total cost of such purchases including commissions, if any, and transfer taxes on the redelivery.

Attention is directed to the fact that during the period of distribution transactions effected by the Purchasers may have, initially at least, a dominating influence in the market for the New Preferred Stock; that under the circumstances any maintenance of the bid price for the New Preferred Stock in the over-the-counter market during such period may not be determined solely by supply and demand but may be due in part to transactions by the Purchasers in their own interests in connection with the distribution; and that at the expiration of the distribution period, the market will cease to have the support, if any, furnished by the Purchasers.

The Agreement Among Underwriters will terminate at the close of business 20 days after expiration of the Warrants, but may be extended for such further period, not exceeding 20 days, as the Representative may determine in its discretion and, whether or not so extended, may be terminated on any earlier date that the Representative may determine.

The foregoing consists in part of brief summaries of certain provisions set forth in or provided for by the Agreement Among Underwriters, a copy of the form of which is filed as an exhibit to the Registration Statement, and such summaries do not purport to be complete. Reference is made to such exhibit for a full and complete statement of each and all of the provisions of such agreement; and the foregoing summaries of certain of the provisions thereof are qualified in their entirety by such reference.

EXPERTS

Arthur Andersen & Co., of Chicago, Illinois, and Edmond W. Hebel, Esquire, of Indianapolis, Indiana, who are named in the Registration Statement as experts preparing and certifying portions thereof, have advised the Company that none of them (a) has any interest of a substantial nature in the Company or any affiliate thereof or is to receive any such interest as a payment for such statement or (b) except in the case of said Edmond W. Hebel, who is continuously employed by the Company as its general counsel and who devotes all his working time to such services, is an officer or employee of the Company or any affiliate thereof, or (c) has been employed upon a contingent basis.

PUBLIC SERVICE COMPANY OF INDIANA, INC.

R. A. GALLAGHER,

President

This Prospectus contains information concerning the Company and its New Preferred Stock, but does not contain all the information set forth in the Registration Statement (as amended), and the exhibits and schedules relating thereto, which the Company has filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933, as amended, and to which reference is hereby made.

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No dealer, salesman or other person has been authorized to give any information or to make any representations other than as contained herein, and if given or made such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the New Preferred Stock in any State to any person to whom it is unlawful to make such offer or solicitation in such State.

Public Service Company of Indiana, Inc.

142,132 Shares

4.64% CUMULATIVE PREFERRED STOCK

(Par Value \$100. Per Share)

(Convertible through December 31, 1952 into
Common Stock unless called for previous
redemption)

PROSPECTUS

Dated December 2, 1949

R. R. DONNELLEY & SONS CO., CHICAGO

During the period from March 1, 1947 to and including March 1, 1949, the Company, in lieu of cash dividends on the Common Stock, distributed quarterly dividends payable in common stock of Indiana Gas & Water Company, Inc. (herein called "Indiana Company Stock"). Such dividends were distributed at the quarterly rate of 5/100ths of a share of Indiana Company Stock for each share of the Common Stock to and including June 1, 1948, and at the rate of 6/100ths of a share on September 1, 1948. Following the split of the Common Stock the dividends distributed on December 1, 1948 and March 1, 1949 were at the rate of 3/100ths of a share of Indiana Company Stock for each share of the split Common Stock.

Cash dividends on the Common Stock at the rate of 40¢ per share were paid on June 1, September 1 and December 1, 1949.

The Company makes no representations concerning future dividends on the Common Stock. The amount of such dividends must be determined and declared by the board of directors of the Company (herein sometimes referred to as the "Board") from time to time in the light of earnings, cash position and other relevant factors then existing. For a summary of restrictions on the payment of dividends on the Common Stock, reference is made to the information under the sub-caption "Limitations on Payment of Common Dividends" under the caption "Description of Common Stock."

The Company expects, immediately following the sale of the New Preferred Stock, to make application to the New York Stock Exchange and the Midwest Stock Exchange for the listing on those exchanges of the Common Stock, the New Preferred Stock and the Company's 3½% Cumulative Preferred Stock having a par value of \$100. per share (hereinafter sometimes referred to as the "3½% Preferred Stock"). Such action has already been authorized by the Board. The stocks of the Company are not presently listed on any exchange.

SUBSCRIPTION OFFER

The Company hereby offers to the holders of its outstanding shares of Common Stock of record at the close of business on November 25, 1949 the right, subject to the conditions hereinafter set forth, to subscribe for and purchase the New Preferred Stock, at the Subscription Price of \$116. per share, at the rate of one share of New Preferred Stock for each twenty shares of Common Stock held of record on the record date.

Rights, Warrants and Subscriptions. *Subscription Rights:* One subscription right (herein sometimes referred to as a "Right") will attach to each share of Common Stock outstanding at the close of business on November 25, 1949. Shareholders accordingly will be given subscription warrants (herein sometimes referred to as the "Warrants") representing the same number of Rights as there are shares of Common Stock registered in their names at said time. Twenty Rights will be required to subscribe for each share of the New Preferred Stock and a holder of less than twenty Rights, or of a number of Rights not evenly divisible by twenty, may subscribe by acquiring enough additional Rights to make twenty Rights or a multiple of twenty Rights. Subscriptions will be accepted only for one or more full shares of the New Preferred Stock.

Expiration of Offer: Warrants will be void unless received by the Continental Illinois National Bank and Trust Company of Chicago by 3:00 P.M., Central Standard Time, or by The Chase National Bank of The City of New York by 4:00 P.M., Eastern Standard Time, on December 13, 1949, pursuant to the arrangement described hereinafter.

Warrants: The Warrants, which will be mailed on or about December 2, 1949, may be transferred to others by assignment duly executed in the form of assignment set forth thereon.

Holders desiring to divide Warrants may send them to the Continental Illinois National Bank and Trust Company of Chicago or The Chase National Bank of The City of New York and either of said banks will issue in exchange new Warrants aggregating the same number of Rights, divided as the holder may indicate.

Subscriptions and Payments: Subscriptions may be made by executing a subscription agreement (which should be on the form of subscription agreement on the face of the Warrants) and delivering the same with Warrants for the required number of Rights and with payment in full, at the rate of \$116. for each share of the New Preferred Stock subscribed for, to Continental Illinois National Bank and Trust Company of Chicago on or before 3:00 P.M., Central Standard Time, or to The Chase National Bank of The City of New York on or before 4:00 P.M., Eastern Standard Time, on December 13, 1949. Drafts, certified checks and money orders should be drawn to the order of the Continental Illinois National Bank and Trust Company of Chicago or The Chase National Bank of The City of New York, as the case may be, on institutions located in the continental United States and must be payable in United States funds.

Delivery of New Preferred Stock: Temporary certificates of the New Preferred Stock purchased through the exercise of Rights will be delivered in the continental United States as soon as practicable after subscriptions are received, by registered mail, as directed in the subscription agreements, unless otherwise arranged. Temporary certificates will be exchangeable for definitive certificates of the New Preferred Stock, when available, at the Continental Illinois National Bank and Trust Company of Chicago, Chicago Transfer Agent for this issue.

Foreign Shareholders and Shareholders in United States Possessions: By reason of certain governmental restrictions the Company is not permitted to mail Warrants to shareholders who are "nationals" of certain foreign countries. Also, in the case of shareholders who reside in foreign countries other than Canada and Mexico, or reside in United States possessions, Warrants, if mailed, might not reach them in time to be exercised prior to the expiration of the offer. Accordingly, in order to protect the interest of such shareholders, the Company will hold their Warrants for the exercise or other disposal of such Warrants (subject to the right of such shareholders to make arrangements which are satisfactory to the Company and in compliance with applicable laws and governmental regulations), and, unless such arrangements shall be made and the Company notified thereof on or before the close of business on December 9, 1949, such Warrants will, to the extent permitted by applicable laws and regulations, be sold and the proceeds held for the account of the persons who may then be entitled thereto.

Purchases and Sales of Rights. Rights may be purchased or sold through the usual investment channels. Also, for the convenience of shareholders, the Company has entered into an arrangement under which either Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago 90, Illinois, or The Chase National Bank of The City of New York, 11 Broad Street, New York 15, New York, will act as Agent (i) to sell Rights for any shareholder who desires to use the facilities of either of said banks in connection with a sale of all or any of his Rights, or (ii) to purchase Rights (up to 19 in any one case) needed by any subscriber for the New Preferred Stock in order to complete his subscription. The Company has agreed to pay Continental Illinois National Bank and Trust Company of Chicago and The Chase National Bank of The City of New York for their services to shareholders in such purchases and sales of Rights. Forms for execution by shareholders desiring to purchase or sell Rights are set forth on the face of the Warrants. Orders for the purchase or sale of Rights by Continental Illinois National Bank and Trust Company of Chicago or by The Chase National Bank of The City of New York must be received before the close of business on December 12, 1949.

The Company is informed by Continental Illinois National Bank and Trust Company of Chicago and by The Chase National Bank of The City of New York that they will endeavor to execute orders for the purchase or sale of Rights received up to the close of business on each business day to and including December 12, 1949, on the next business day following receipt of such orders. The net proceeds from the sale of all Rights received for sale before the close of business each day will be prorated by the respective banks among the owners of such Rights, and the net cost of Rights purchased pursuant to purchase orders received up to the close of business each day will be prorated by the respective banks among the parties for whom such Rights were purchased. Buying and selling orders may be offset by Continental Illinois National Bank and Trust Company of

Chicago or by The Chase National Bank of The City of New York, in which event such orders will be considered executed at the average price at which actual purchases or sales, as the case may be, were made by such banks respectively of Rights received for purchase or sale on the same day.

The Company will neither buy nor sell Rights.

Conversion of New Preferred Stock. The New Preferred Stock will be convertible at any time through December 31, 1952 (unless called for previous redemption in which event the conversion right will expire on the date fixed for redemption), at the option of the holders, into Common Stock of the Company. The rate of conversion will be four shares of the Common Stock for each share of New Preferred Stock (i) without any cash payment if such conversion occurs on or before June 30, 1951, and (ii) upon the payment by the shareholder of \$10.00 in cash to the Company if such conversion occurs after June 30, 1951. The number of shares of Common Stock issuable upon conversion and the conversion price are, however, subject to adjustment as provided in the resolution creating the New Preferred Stock. See, also, information under the sub-caption "Adjustment of Conversion Basis" under the caption "Description of the New Preferred Stock" herein. All rights of conversion of the New Preferred Stock will terminate at the close of business on December 31, 1952.

Disposition of New Preferred Stock not Purchased Through the Exercise of Warrants. Any shares of the New Preferred Stock, which are not issued and sold pursuant to the Subscription Offer (such shares being herein sometimes referred to as the "Unsubscribed New Preferred Stock"), will be sold for cash to the Underwriters in accordance with the terms and conditions set forth herein under the caption "Purchasers."

It is presently expected that such purchase by the Underwriters will be consummated, and the temporary certificates for the shares of the New Preferred Stock purchased by them will be delivered to them by the Company, on or about December 20, 1949.

ACQUISITION AND PROPOSED LIQUIDATION AND DISSOLUTION OF SOUTHEASTERN INDIANA POWER COMPANY

Under the terms of an exchange offer which was terminated on November 25, 1949, the Company issued 80,759 shares of Common Stock to the shareholders of Southeastern Indiana Power Company (herein sometimes referred to as "Southeastern"), an Indiana corporation and an electric public utility operating wholly within Indiana. 4,753 shares of the outstanding preferred stock of Southeastern (98.37% of such stock) and 39,580 $\frac{1}{3}$ shares of the outstanding common stock of Southeastern (98.95% of such stock) were surrendered for exchange pursuant to said offer.

The Company proposes to effect the liquidation and dissolution of Southeastern as soon as practicable and until such time it is contemplated that Southeastern will be operated as a non-consolidated subsidiary of the Company.

EARNINGS SUMMARY

The following earnings summary for the calendar years 1944 to 1948, both inclusive, has been prepared by the Company and has been examined by Arthur Andersen & Co. whose opinion with respect thereto is included in their certificate which immediately precedes the financial statements in this Prospectus. The earnings summary for the twelve months ended September 30, 1949 has been prepared by the Company but

has not been examined by Arthur Andersen & Co. For further details with respect to the calendar years 1946, 1947 and 1948 reference is made to the statements of income included in the financial statements herein. Reference is also made to the sub-caption "Employee Relations" under the caption "History and Business".

	Year Ended December 31					Twelve Months Ended September 30, 1949 (Unaudited)
	1944	1945	1946	1947	1948	
OPERATING REVENUES:						
Electric.....	\$26,427,323	\$27,038,188	\$27,346,521	\$31,081,375	\$36,886,284	\$40,084,713
Heat.....	21,149	23,610	26,825	15,065	—	—
	<u>\$26,448,472</u>	<u>\$27,061,798</u>	<u>\$27,373,346</u>	<u>\$31,096,440</u>	<u>\$36,886,284</u>	<u>\$40,084,713</u>
OPERATING EXPENSES AND TAXES (exclusive of Federal income and excess profits taxes):						
Operation.....	\$ 9,435,931	\$ 9,632,597	\$10,394,199	\$12,785,051	\$16,574,673	\$17,525,053
Maintenance.....	1,372,627	1,725,649	1,624,602	2,103,066	2,277,367	2,470,548
Provision for depreciation.....	2,671,984	2,791,002	2,932,200	3,040,020	3,247,287	3,546,901
Provision for State, local and miscellane- ous Federal taxes.....	2,013,729	2,093,067	2,207,484	2,741,800	2,985,033	3,194,296
	<u>\$15,494,271</u>	<u>\$16,242,315</u>	<u>\$17,158,485</u>	<u>\$20,669,937</u>	<u>\$25,084,360</u>	<u>\$26,736,798</u>
NET OPERATING INCOME (before provision for Federal income and excess profits taxes and special charge).....	\$10,954,201	\$10,819,483	\$10,214,861	\$10,426,503	\$11,801,924	\$13,347,915
Add—Net operating income (before pro- vision for Federal income and excess profits taxes) of gas, water and ice prop- erties for periods prior to dates of sale in 1945 (Note 1).....	1,078,190	882,376	—	—	—	—
	<u>\$12,032,391</u>	<u>\$11,701,859</u>	<u>\$10,214,861</u>	<u>\$10,426,503</u>	<u>\$11,801,924</u>	<u>\$13,347,915</u>
OTHER INCOME:						
Dividends on common stock of Indiana Gas & Water Company, Inc. (Note 1).. Other (net).....	— 102,058	— 94,517	150,000 72,947	516,916 84,477	335,092 144,385	83,518 182,898
GROSS INCOME (before provision for Fed- eral income and excess profits taxes and special charge).....	\$12,134,449	\$11,796,376	\$10,437,808	\$11,027,896	\$12,281,401	\$13,614,331
INTEREST AND OTHER DEDUCTIONS:						
Interest on long-term debt (Note 2)—						
First mortgage bonds.....	\$ 1,968,873	\$ 1,841,441	\$ 1,500,001	\$ 1,570,314	\$ 1,968,750	\$ 2,211,750
Debentures.....	—	—	—	112,527	260,075	115,606
Unsecured notes.....	280,635	283,158	324,243	209,796	41,600	39,329
	<u>\$ 2,249,508</u>	<u>\$ 2,124,599</u>	<u>\$ 1,824,244</u>	<u>\$ 1,892,637</u>	<u>\$ 2,270,425</u>	<u>\$ 2,366,685</u>
Amortization of debt discount, premium and expense (net).....	347,154	351,276	363,137	274,460	1,253	9,181
General interest (net).....	85,315*	80,248*	6,963	32,958*	107,862*	126,508
Miscellaneous income deductions.....	25,258	41,928	59,843	78,769	14,372	16,215
	<u>\$ 2,536,605</u>	<u>\$ 2,437,555</u>	<u>\$ 2,254,187</u>	<u>\$ 2,212,908</u>	<u>\$ 2,178,188</u>	<u>\$ 2,247,211</u>
NET INCOME (before provision for Federal income and excess profits taxes and special charge).....	\$ 9,597,844	\$ 9,358,821	\$ 8,183,621	\$ 8,814,988	\$10,103,213	\$11,367,120
PROVISION FOR FEDERAL INCOME AND EXCESS PROFITS TAXES AND SPECIAL CHARGE:						
Provision for Federal income and excess profits taxes (Note 3)—						
Normal and surtax.....	\$ 1,135,000	\$ 817,000	\$ 3,002,000	\$ 2,910,000	\$ 3,270,000	\$ 3,783,000
Excess profits tax.....	5,588,000	2,836,000	—	—	—	—
Special charge (Note 4)—						
Special amortization of debt discount, premium and expense.....	—	2,500,000	—	—	—	—
	<u>\$ 6,723,000</u>	<u>\$ 6,153,000</u>	<u>\$ 3,002,000</u>	<u>\$ 2,910,000</u>	<u>\$ 3,270,000</u>	<u>\$ 3,783,000</u>
NET INCOME (Note 5).....	\$ 2,874,844	\$ 3,205,821	\$ 5,181,621	\$ 5,904,988	\$ 6,833,213	\$ 7,584,120

*Denotes red figure.

The accompanying notes are an integral part of this earnings summary.

NOTES:

- (1) Reference is made to the information contained herein under the caption "Consummation of Program to Limit Operations to Electric Utility Service" for a discussion of said program and of the completion of the disposition of the investment in common stock of Indiana Gas & Water Company, Inc.
- (2) The interest charges for the succeeding twelve months on the long-term debt of the Company outstanding on September 30, 1949, consisting of \$75,000,000. of First Mortgage Bonds (including \$12,000,000. of Series H Bonds dated January 1, 1949) and \$950,000. of 4% Unsecured Notes (to be reduced by \$38,000. on December 7, 1949 and \$38,000. on June 7, 1950), will be \$2,365,034.
- (3) The statement of income for 1945 reflects a reduction of Federal excess profits taxes of \$602,000., resulting from the deduction for tax purposes of accelerated depreciation on certain war emergency facilities.
- (4) A special charge to income was made in an amount equivalent to the additional taxes which would have been payable if the Company did not have the benefit for Federal income and excess profits tax purposes of deductions for discount, premium and expense resulting from the refinancing of long-term debt. Such amount was credited to unamortized debt discount and expense.
- (5) Annual dividend requirements on the 150,000 shares of 3½% Preferred Stock presently outstanding aggregate \$525,000. Upon the issuance and sale of the 142,132 shares of New Preferred Stock the maximum aggregate dividend requirement on the Company's outstanding preference stock will be \$1,134,492.
- (6) The Company, on November 25, 1949, consummated an exchange offer made to the shareholders of Southeastern. As of such date, the Company's investment in the preferred and common stocks of Southeastern represented 98.37% and 98.95% of respective totals outstanding. Based upon such percentages of ownership as of November 25, 1949, the Company's equity in the consolidated earnings of Southeastern and its wholly-owned subsidiary for the preceding fiscal years and the twelve months ended September 30, 1949 would have been as follows:

Oct. 31, 1944	\$68,842	Dec. 31, 1947	\$ 94,047
Oct. 31, 1945	68,670	Dec. 31, 1948	126,594
Dec. 31, 1946	77,788	Sep. 30, 1949	152,888

FUNDED DEBT AND CAPITAL STOCK

The following schedule shows the funded debt and capital stock of the Company outstanding as of November 25, 1949, and as adjusted to give effect to the proposed financing:

	Amount Outstanding	
	November 25, 1949	Adjusted on the Basis Stated Above
FUNDED DEBT:		
First Mortgage Bonds (a):		
Series F, 3½%, due September 1, 1975.....	\$ 48,000,000	\$ 48,000,000
Series G, 3½%, due November 1, 1977.....	15,000,000	15,000,000
Series H, 3%, due January 1, 1979.....	12,000,000	12,000,000
Unsecured Notes, 4%, maturing serially from December 7, 1949 to December 7, 1961, inclusive (b).....	950,000	950,000
Total Funded Debt.....	<u>\$ 75,950,000</u>	<u>\$ 75,950,000</u>
CAPITAL STOCK:		
	Number of Shares	
Cumulative Preferred Stock—par value \$100. per share—		
Authorized.....	300,000	
Issued and Outstanding—		
3½% Cumulative Preferred Stock.....	150,000	\$ 15,000,000
4.64% Cumulative Preferred Stock.....	142,132	—
Common Stock—without par value—		
Authorized (c).....	5,000,000	
Issued and Outstanding.....	2,846,083	40,628,041
Total Capital Stock.....		<u>\$ 55,628,041</u>
Total.....		<u>\$131,578,041</u>

NOTES:

- (a) The amount of bonds issuable under the first mortgage indenture is unlimited and, subject to the terms thereof and the indentures supplemental thereto, additional bonds of any series may be issued.
- (b) Includes \$38,000. principal amount maturing on December 7, 1949 and \$38,000. principal amount maturing on June 7, 1950. \$1,520,000. principal amount of these notes dated December 7, 1941 were issued and of this amount \$570,000. principal amount have been paid.
- (c) By action of the Board, there has been reserved a sufficient number of shares to provide for the conversion of the New Preferred Stock.

CONSUMMATION OF PROGRAM TO LIMIT OPERATIONS TO ELECTRIC UTILITY SERVICE

On September 17, 1945 (effective September 1, 1945) and as the principal step in the Company's program to limit its operations to electric utility service the Company sold all of its gas and water utility properties (all located in Indiana), and related assets, and its ice property at Sheridan, Indiana (hereinafter sometimes collectively referred to as the "Gas and Water Utility Properties") to Indiana Gas & Water Company, Inc. (hereinafter sometimes referred to as "Indiana Company"). Indiana Company was a subsidiary of the Company organized on July 16, 1945 under The Indiana General Corporation Act. During December 1945, the Company's remaining ice manufacturing plants, located in Huntington, Noblesville, West Baden and Rochester, Indiana, were sold or otherwise disposed of to non-affiliated interests. Following consummation of the foregoing transactions the only remaining non-electric operation of the Company consisted of a commercial hot-water heating system in the central business area of Lafayette, Indiana, which operation was discontinued at the close of the 1946-1947 heating season, pursuant to authorization granted by the Public Service Commission of Indiana (hereinafter called the "Indiana Commission").

At the time of the sale of the Gas and Water Utility Properties, the Company expressed its intention of disposing of its investment in the stock of Indiana Company as soon as such disposition could be made upon terms deemed fair to the equity owners, and during the period from March 1, 1947 to March 1, 1949 the Company distributed its investment in Indiana Company in lieu of cash dividends on the Common Stock. Early in 1949 the 61,270.72 shares of Indiana Company Stock that were not required for the final dividend distribution were sold for cash.

HISTORY AND BUSINESS

General. The Company was incorporated under the laws of the State of Indiana on September 6, 1941 as a result of the consolidation, under The Indiana General Corporation Act, of Public Service Company of Indiana, Central Indiana Power Company, Northern Indiana Power Company, Terre Haute Electric Company, Inc. and Dresser Power Corporation, hereinafter sometimes collectively referred to as the "Constituent Corporations." Each of the Constituent Corporations had been organized or reorganized under said Act. Except where otherwise specified, information furnished herein as of dates prior to said consolidation and pertaining to the Constituent Corporations is stated as pertaining to the Company.

The principal executive offices of the Company are located at 110 North Illinois Street, Indianapolis 9, Indiana. On August 31, 1949, the Company announced that it had entered upon a program for the construction of a central headquarters at Plainfield, Indiana, which is located about ten miles west of Indianapolis, and that it expected to move its general offices to that location on or about October 1, 1950. Under the proposed program the electric transmission system control center, central garage facilities, principal meter and repair shop facilities and central warehouse facilities will also be located at the new central headquarters.

The Company is a public utility operating in the State of Indiana and its business is entirely that of producing, purchasing, transmitting, distributing and selling electricity as a public utility. The Company has no present intention of changing the general character of its business.

The Company operates in north central, central and southern Indiana, furnishing electric service in areas located in 70 of the 92 counties in the state. The territory served is a residential, agricultural and widely diversified industrial territory with no one industry accounting for more than 5% of the Company's total electric revenues. The mining of coal, the manufacture and processing of steel, the manufacture of automobiles and automobile accessories, structural aluminum shapes, cement, metal products, rubber products and paper products, the transportation of natural gas and petroleum and the quarrying and milling of stone are among the more important industries served by the Company.

As of June 30, 1949, the Company supplied electric service to 284,251 customers in 624 cities, towns and unincorporated communities and in adjacent rural areas. Electric service was also supplied at wholesale to 37 municipal utilities, 27 rural electric membership corporations, 11 systems belonging to 7 other electric utility companies and 1 street railway system. All electricity supplied by the Company is 60 cycle, alternating current.

The Company's electric system is directly interconnected with the electric systems of Indianapolis Power & Light Company, Louisville Gas and Electric Company, The Cincinnati Gas & Electric Company, Indiana & Michigan Electric Company, Northern Indiana Public Service Company, Central Illinois Public Service Company and other utility companies operating within the State of Indiana and states contiguous thereto. Substantial quantities of electric energy are sold to, purchased from, or exchanged with, some of the above named utilities. The principal contracts under which such purchases, sales or exchanges are made are filed as exhibits to the Registration Statement. See also, statements under the sub-caption "Purchased Power" under the caption "Property."

The maximum load on the Company's system during the twelve months ended June 30, 1949, on a one-hour average or integrated basis, was approximately 449,200 kilowatts, exclusive of station use. During this peak hour, which occurred between 9:00 A.M. and 10:00 A.M. on January 18, the system capacity available was approximately 457,900 kilowatts consisting of 355,900 kilowatts from owned and leased generating capacity, 56,000 kilowatts from firm capacity provided for by long-term contracts, and 46,000 kilowatts obtained from interconnections with other companies on short-term arrangements.

Additions and Retirements. During the five years and six months ended June 30, 1949, gross additions to the plant and property of the Company aggregated \$55,989,648. (excluding additions to the Gas and Water Utility Properties). The aggregate amounts of additions, retirements and net additions or retirements during each of the five years and the six months ended June 30, 1949 were as follows:

Year	Gross Additions	Gross Retirements	Net Additions
1944.....	\$ 7,841,491	\$ 1,815,456(1)	\$ 6,026,035
1945.....	6,395,021	18,521,844(2)	12,126,823*
1946.....	5,565,795	1,408,004	4,157,791
1947.....	10,213,343	1,541,592(3)	8,671,751
1948.....	16,240,881	1,939,686	14,301,195
1949 (to June 30).....	10,231,941	677,538	9,554,403
Total.....	\$56,488,472	\$25,904,120	\$30,584,352
Less—Additions and retirements applicable to Gas and Water Utility Properties.....	498,824	16,505,368	16,006,544*
Total (Exclusive of additions and retirements applicable to Gas and Water Utility Properties).....	<u>\$55,989,648</u>	<u>\$ 9,398,752</u>	<u>\$46,590,896</u>

*Net Retirements.

- NOTES:
- (1) Includes the retirement of steam generating equipment at Huntington in the amount of \$223,000.; the combustion engine generating equipment at Greensburg in the amount of \$66,000.; steam generating equipment at Lafayette in the amount of \$230,000.; and mining equipment at the Edwardsport mine in the amount of \$213,000.
 - (2) Includes retirement of gas, water and ice property in the amount of \$16,865,289. Also includes retirement of Water Street electric generating station (15,000 KW) in the amount of \$944,729. and Lebanon electric distribution property in the amount of \$226,000.
 - (3) Includes retirement of hot-water heating system in Lafayette in the amount of \$341,661.

Employee Relations. The wages, working conditions and hours of labor of the Company's manual employees (approximately 50% of its aggregate number of employees) are covered by an agreement with Local Union 1393 of the International Brotherhood of Electrical Workers which is an affiliate of the American Federation of Labor. This agreement was renegotiated in 1949 with wage adjustments aggregating about 8.4% increase in the payroll of the union employees. The wage adjustments provided in said agreement were voluntarily agreed upon between the Company and the Union during the pendency of arbitration proceedings in respect of the wage scale, which were commenced by the Union under the Indiana Public Utility Arbitration Act. The present agreement extends to May 1, 1950. Wage and salary rates for clerical and supervisory employees were increased in July 1949. It is estimated that wage and salary increases made and to be made in 1949 will aggregate approximately \$524,000. computed on an annual basis. Local Union 1393 has filed with the National Labor Relations Board a petition wherein it claims authority to act as bargaining agent for the Company's stockmen, senior stockmen, and storekeepers. In such proceeding the Company is questioning the existence of the claimed authority and the appropriateness of the proposed bargaining unit, and is contending that the storekeepers are supervisory employees and, therefore, not properly includible in the proposed unit. Said board has not yet held any formal hearing or entered any order on said petition. The Company considers that its relations with its employees are satisfactory.

Future service retirement annuities, covering services after March 1, 1941, are provided for under a contract, which has been in effect since that date with John Hancock Mutual Life Insurance Company, and under which contributions are made by both the Company and the employees. During the year ended December 31, 1948, the cost to the Company under said contract was \$294,612. or approximately 69% of the total cost of such future service annuities. The Company is providing annuities covering services prior to March 1, 1941, (i.e., past service annuities), for employees who have been, and are from time to time, being retired; and has arranged for the purchase of past service annuities from John Hancock Mutual Life Insurance Company over a ten-year period for employees in this category who attain retirement age after October 1, 1944. The total payments under this arrangement, over the ten-year period, were originally expected to aggregate approximately \$1,620,000. and the Company made payments in 1944 and 1945 in the amount of \$162,000. each. After the sale of the Gas and Water Utility Properties in 1945, it was estimated that the total payments during the remaining period of eight years would aggregate \$1,098,400. (\$137,300. per annum) and payments at such rate are currently being made. The cost of past service annuities for the year ended December 31, 1948 paid directly to retired employees, who do not come under the insured plan, was \$55,731. The retirement program may be discontinued by the Company at any time without further contractual obligation to the Company. However, any rights which accrued to employees under the insured plan prior to such discontinuance would not be affected thereby. The Company has no present intention of terminating the retirement annuity plan. The plan includes officers but not directors who are not also officers or employees.

Competition. In no municipality served by the Company is there another public utility rendering the same type of utility service to the public. However, in the Town of Greenwood (population 2,499 as reported in the 1940 census) and in the Towns of Charlestown and St. Leon (each having a population of less than 1,000 as reported in the 1940 census) electric energy is supplied by rural electric membership corporations for or to certain users therein; and in the City of Aurora (population 4,828 as reported in the 1940 census) the Rising Sun Municipal Utility serves one commercial customer which is located in territory annexed to such city after such customer began receiving service from such municipal utility.

Certain municipalities located in the territory served by the Company, including those of New Castle, Connersville, Columbus and Huntington, generate electricity for street lighting and other municipal uses. Certain industrial plants, mining corporations and a small number of commercial establishments located in the Company's territory generate electricity for their own uses.

Under the Public Service Commission Act (Indiana), any municipality is empowered, subject to limitations prescribed in said act, to own, lease, erect, establish, purchase, condemn, construct, acquire, hold and operate a utility, or any part thereof, in such municipality or within six miles beyond the limits thereof, or at any place within the county in which such municipality is situated. The Company is not informed of any active proceedings pending or of any proceedings contemplated by any municipality for municipal operation or ownership in competition with the Company, or for the acquisition of any utility property now operated by the Company.

The Company is informed that 39 rural electric membership corporations organized under the Rural Electric Membership Corporation Act of the State of Indiana are supplying electric energy to rural areas not previously served in certain portions of 68 counties in which the Company renders electric service.

Early in 1938, Congress appropriated funds for the initial work on a dam on the Tennessee River near Gilbertsville, Kentucky, at a site approximately 100 miles from the southernmost territory served by the Company. The Company understands that at this site, known as the Kentucky Dam, a hydro-electric station, consisting of five generating units of 32,000 kilowatts each, has now been completed, the last of the five generators having been placed in service in January 1948. The Company further understands that Congress has authorized the construction of a steam generating plant at New Johnsonville, Tennessee, and that contracts have been awarded for the construction of three turbo-generators with individual capacities of 125,000 kilowatts. While this information has been obtained from sources deemed reliable, the Company disclaims any responsibility for its accuracy.

The Company is informed that construction was started about November 1941 on the Wolf Creek Dam and reservoir on the Cumberland River near Jamestown, Russell County, Kentucky (approximately 110 miles from the southernmost territory served by the Company); that the project will be for flood control and for the generation of electric power; that the ultimate capacity will be 270,000 kilowatts; and that Federal policies on war time construction resulted in the original contract being terminated in 1943, in the interest of the war effort, when about 8% complete. The Company is further informed that a new contract for completion of the work was awarded February 21, 1946; and that work under the new contract was about 29% complete at June 30, 1948. The Company has no recent information as to the status of this project, and disclaims responsibility for the accuracy of the information contained in this paragraph.

In December 1944, Congress passed an Act, sometimes referred to as the "Flood Control Bill," which was signed by the President on December 22, 1944, and became effective on that date. This Act provides an extensive program for the construction of dams for flood control, irrigation, hydro-electric power developments, and other purposes, on various rivers throughout the country. The Company is not advised as to whether or not, under said Act, any substantial power developments will be located in or adjacent to the territory served by the Company and makes no representation as to what effect, if any, construction carried on under said Act will have on the future business and activities of the Company.

CERTAIN STATISTICS

	Year Ended December 31					Twelve Months Ended
	1944	1945	1946	1947	1948	September 30, 1949
Operating Revenues by Classes of Customers (000 Omitted)						
Residential or domestic.....	\$ 6,643	\$ 7,016	\$ 7,269	\$ 7,976	\$ 8,955	\$ 9,735
Farm service.....	987	1,076	1,186	1,435	1,707	1,890
Other rural.....	486	545	627	799	995	1,149
Commercial general.....	3,889	4,210	4,953	5,811	6,541	6,996
Commercial power.....	9,325	8,945	8,958	10,239	12,431	13,478
Public street and highway lighting.....	593	598	558	507	578	680
Other sales to public authorities.....	2,279	2,264	1,231	1,246	1,401	1,485
Other electric utilities—						
Subsidiary company.....	38	40	44	54	53	54
Other.....	1,699	1,866	2,041	2,518	3,730	4,142
Railroads and railways.....	414	399	383	394	357	329
Other revenues.....	74	79	97	102	138	147
Total revenues.....	<u>\$26,427</u>	<u>\$27,038</u>	<u>\$27,347</u>	<u>\$31,081</u>	<u>\$36,886</u>	<u>\$40,085</u>
Kilowatt-hours of Electric Energy Generated, Purchased and Sold (000 Omitted)						
Generated (net).....	1,532,770	1,608,303	1,527,000	1,726,683	2,007,765	2,268,326
Purchased.....	278,332	174,125	120,169	186,250	314,345	266,414
Total.....	1,811,102	1,782,428	1,647,169	1,912,933	2,322,110	2,534,740
Losses and company use.....	263,935	268,056	267,166	310,244	367,500	378,511
Remainder.....	<u>1,547,167</u>	<u>1,514,372</u>	<u>1,380,003</u>	<u>1,602,689</u>	<u>1,954,610</u>	<u>2,156,229</u>
Sales:						
Residential or domestic.....	152,107	165,989	186,254	216,248	254,761	286,007
Farm service.....	22,865	26,226	31,075	40,254	51,245	59,525
Other rural.....	11,418	13,390	16,209	21,318	27,519	32,994
Commercial general.....	108,075	117,628	142,106	170,275	194,410	209,846
Commercial power.....	801,251	735,934	683,043	772,258	932,707	1,020,602
Public street and highway lighting.....	14,383	14,756	15,572	16,948	19,937	23,783
Other sales to public authorities.....	227,029	211,224	68,873	66,179	74,719	80,001
Other electric utilities—						
Subsidiary company.....	2,624	2,796	3,258	4,024	4,145	4,391
Other.....	159,504	180,309	189,096	248,794	353,142	400,379
Railroads and railways.....	47,911	46,120	44,517	46,391	42,025	38,701
Total sales.....	<u>1,547,167</u>	<u>1,514,372</u>	<u>1,380,003</u>	<u>1,602,689</u>	<u>1,954,610</u>	<u>2,156,229</u>
Number of Customers Served at End of Period						
Residential or domestic.....	176,979	180,383	186,630	193,271	199,811	204,739
Farm service.....	17,048	18,055	20,035	22,730	23,539	24,029
Other rural.....	7,928	8,597	9,993	12,012	13,727	14,811
Commercial general.....	30,436	31,799	34,548	36,116	37,060	37,397
Commercial power.....	2,346	2,504	2,617	2,646	2,675	2,729
Public street and highway lighting.....	635	637	639	664	684	691
Other public authorities.....	2,162	2,190	2,225	2,224	2,274	2,389
Other electric utilities—						
Subsidiary company.....	1	1	1	1	1	1
Other.....	78	73	77	88	96	100
Railroads and railways.....	3	3	2	1	1	1
Total customers.....	<u>237,616</u>	<u>244,242</u>	<u>256,767</u>	<u>269,753</u>	<u>279,868</u>	<u>286,887</u>
Average Revenue and Use						
Average annual sales in kilowatt-hours per residential customer.....	865	930	1,015	1,139	1,296	1,419
Average revenue per kilowatt-hour from residential customers.....	\$.0437	\$.0423	\$.0390	\$.0369	\$.0352	\$.0340

PROPERTY

All physical properties of the Company are located in Indiana, except certain facilities located in Kentucky immediately adjacent to the Indiana-Kentucky state line, the value of which facilities has been estimated at less than \$3,000.

The following information is furnished as of December 31, 1948 unless otherwise indicated. For information with respect to the Company's construction program see statements appearing under the caption "Purpose of Issue and Construction Program."

Electric Generating Stations. The steam and hydro-electric generating plants owned by the Company and their general character and location are briefly described as follows:

Location of Plant	Number of Generators and Installed Capacity in Kilowatts	Year Unit Was Placed in Service	Net Dependable Capacity in Kilowatts	Steam or Hydro (a)	Net Output in Kilowatt-hours During Year Ended December 31, 1948 (b)
Dresser.....	1— 25,000	1924	225,000	Steam	1,483,462,900
	1— 25,000	1924			
	1— 25,000	1925			
	1— 50,000	1941			
	1— 50,000	1944			
	1— 50,000	1945			
Edwardsport.....	1— 2,500	1918	72,500	Steam	495,116,200
	1— 5,000	1919			
	1— 5,000	1921			
	1— 10,000	1923			
	1— 10,000	1925			
	1— 37,500	1944			
	1— 35,000	(c)	40,000	Steam	(c)
Kokomo.....	1— 5,000	1916	10,000	Steam	8,465,600
	1— 5,000	1921			
Williams.....	1— 800	1911	1,500	Hydro	10,725,000
	1— 800	1911			
	1— 800	1912			
	1— 800	1912			
Connersville.....	1— 250	1922	—	Hydro	3,412,246
	1— 400	1922			
	1— 120	1922			
	1— 200	1922			
	1— 120	1922			
Noblesville.....	1— 192	1921	—	Hydro	936,860
	1— 192	1921			
Total.....	26—344,674		349,000		2,002,118,806(d)

NOTES:

- (a) All hydro-electric plants are run-of-river and have no reserve capacity.
- (b) Exclusive of the energy used for station light and power.
- (c) Placed in service February 1, 1949.
- (d) The Company also produced 5,646,300 kilowatt-hours through operation of the leased stations at Charlestown.

In November 1948, the Company leased from the United States Government the electric generating stations located at the Indiana Arsenal, at Charlestown, Indiana. The term of the lease extends to October 1, 1953, but the lease is subject to earlier cancellation upon conditions specified therein. In connection with the lease, the Company has made a supply agreement with the government under which the Company is to furnish electric and other services at said Arsenal. The Company during May 1949 completed the reactivation of all units at the Indiana Arsenal. The total generating capability of these units aggregates 55,000 kilowatts. Under the terms of the lease 8,000 kilowatts of capacity is presently reserved for the Arsenal, leaving a total of 47,000 kilowatts available for the Company's system. Said lease and said supply agreement are filed as exhibits to the Registration Statement.

Electric Substations. The Lenore Substation, located south and west of Indianapolis, is the main load distributing center of the Company's system. The 132,000 volt bays of this station have a transformer capacity of 50,000 kilovolt-amperes; the 66,000 volt bays have a capacity of 25,000 kilovolt-amperes; and the 33,000 volt bays have a capacity of 27,000 kilovolt-amperes. Equipment of the station also includes two synchronous condensers with a capacity of 12,500 kilovolt-amperes each. In addition, the Company owns substations of 256,500 and 90,000 kilovolt-amperes capacity located, respectively, at its Dresser Station and its Edwardsport Station. Other substations owned by the Company include 27 transmission substations having a combined capacity of approximately 513,332 kilovolt-amperes and 340 distribution substations having capacities aggregating approximately 449,935 kilovolt-amperes.

Electric Transmission and Distribution Systems. The Company owns an extensive system of 132,000 volt lines. These lines connect its main generating stations with its principal load distribution centers and form a medium of interchange between the Company's system and the systems of Indiana & Michigan Electric Company, The Cincinnati Gas & Electric Company and Louisville Gas and Electric Company. The Company owns and operates approximately 621 circuit miles of 132,000 volt lines suspended from approximately 250 miles of steel towers and 251 miles of H frame wood poles. The Company's intermediate transmission system is comprised of approximately 1,234 circuit miles of 66,000-volt line, principally of wood pole construction. In addition the Company owns approximately 1,570 pole miles of 33,000 volt line supporting approximately 1,709 miles of 33,000 volt circuits. The estimated average age of the transmission systems including poles, towers and fixtures, conductors, protective equipment and devices, and substation equipment of the Company, based on dollar investment, is approximately 15 years.

The electric distribution system of the Company extends into 70 counties, serving 624 cities, towns and unincorporated communities, and extensive rural areas. As of December 31, 1948, the Company had 53,573 line transformers of which 46,309 with an aggregate capacity of 601,484 kilovolt amperes, were in service. At the same date, electric watt-hour meters in service totaled 285,431. The estimated average age of the distribution systems, including poles, towers and fixtures, conductors, protective equipment and devices, line transformers, services, meters, substation equipment and street lighting equipment of the Company, based on dollar investment, is approximately 10 years.

The amount of electric utility plant constructed since January 1, 1944 is over 34%, and the amount constructed since January 1, 1939 is over 55%, when related to the amount of electric utility plant at December 31, 1948.

Purchased Power. The Company's principal sources of purchased power are as follows:

<u>Name of Seller</u>	<u>Approximate Location of Connection</u>	<u>Kilowatts of Firm Capacity Available Under Agreement</u>	<u>Net Kilo- watt-hours Purchased During Year Ended December 31, 1948</u>
Indiana & Michigan Electric Company	Direct connections with lines of seller at Marion, Indiana, Huntington Junction, Indiana and Henry County near New Castle, Indiana, and other connections through lines of Northern Indiana Public Service Company at Lafayette and Rochester, Indiana	25,000(1)	120,621,000
The Cincinnati Gas & Electric Company	Indiana-Ohio State Line near Columbia Park, Ohio and near Contreas, Ohio	15,000(2)	52,853,000
Louisville Gas and Electric Company	Indiana-Kentucky State Line near Louisville, Kentucky	10,000	94,871,800

Notes:

- (1) This agreement provides for 30,000 kilowatts of capacity, including 25,000 kilowatts of "Firm Capacity," and 5,000 kilowatts of "Relay Capacity."
- (2) By mutual consent of the Company and The Cincinnati Gas & Electric Company, the "Firm Capacity" requirements under this agreement were terminated on March 31, 1949. "Surplus Capacity" energy is, however, available to the Company under arrangements worked out by the "Operating Committee" provided for by said agreement.

Each of the agreements above referred to is filed as an exhibit to the Registration Statement.

Other Properties. The Company owns and has substantial investments in office and service buildings, district and local headquarters, sales rooms, garages, repair shops, motor vehicles, meters, construction equipment and tools, and office furniture and equipment required in its business. The Company also owns miscellaneous parcels of real estate not now used in its utility operations.

Character of Ownership. The principal plants (exclusive of the leased generating stations at Charlestown) and most other important units of property operated by the Company are owned by it in fee, except to the extent stated below. Most of the 132 kilovolt steel tower electric transmission lines of the Company are located on private right-of-ways held by the Company under easements, licenses or permits. The Company's other electric transmission and distribution lines, in most instances, are located on private right-of-ways, under grants, easements, licenses or other permits or rights, or over, upon or under public streets, alleys, highways and other public places under statutory authority, or under franchises, permits, licenses or other rights given by or obtained from state, county, city or other public or quasi-public authorities. The Company does not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon or under which its electric transmission or distribution lines are located. Some of the easements, licenses and permits acquired by the Company for such right-of-ways were obtained from grantors whose interests were, at the time, subject to mortgages or other liens or whose titles were subject to defects, for the most part inconsequential. In some cases rights are claimed as the result of use and in such cases, where the statutory period has not elapsed, proceedings may be instituted to have assessed the damages, if any, arising by virtue of such use. Under the laws of Indiana the Company has the right to appropriate and condemn land and easements in land of individuals and private corporations necessary to the carrying out of its objects, except that in cities or towns the right does not extend to lands situated in any block in which more than 50% of the frontage is devoted to residence purposes.

The Company owns the fee title to or the mineral rights in approximately 6,000 acres of unmined coal lands near the Dresser Station, and has leases giving it the right to mine the fifth vein coal in approximately 650 unmined acres near said station. In the opinion of the Company the respective lengths of the terms of the aforesaid leases are such as to enable the Company in the regular course of its operations to exhaust the mineable coal prior to the respective termination dates provided therein. The Company owns the fee title to or the mineral rights in approximately 2,350 acres of unmined coal lands near the Edwardsport Station.

The general offices of the Company in Indianapolis, and most of the offices and storerooms used by the Company in served communities, are occupied by the Company under leases.

Proposed Exchange of Certain Utility Assets and Sale of Utility Stock. The Company has recently entered into (i) an agreement with Indiana & Michigan Electric Company, an Indiana corporation, relative to an exchange between the Company and that corporation of electric utility properties located in twelve counties in the northeastern part of Indiana, and (ii) an agreement with The Ohio Power Company, an Ohio corporation, for the sale by the Company to that corporation (which is an affiliate of Indiana & Michigan Electric Company) of the outstanding stock of Union City Electric Company, an Ohio corporation, all of which stock is now owned by the Company and is carried in its investment account at \$89,943. Under the proposed transactions a realignment of the present service areas of the companies involved will result, which, in the opinion of their respective managements, will result in more effective and economical public service within contiguous areas in which they operate. The electric properties that the Company is to transfer consist principally of electric lines and other facilities (having an estimated aggregate original cost of \$813,308. as of July 31, 1948) used in serving approximately 3,900 customers in and adjacent to the Indiana municipalities of Union City, Yorktown, Swayzee and Chesterfield and 9 unincorporated communities. The electric properties that the Company is to acquire consist principally of an electric line extending from Huntington to Delphi, Indiana, and other lines and facilities (having an estimated aggregate original cost of \$937,561. as of July 31, 1948), all used in serving approximately 3,000 customers in and adjacent to the Indiana municipalities of Delphi, Camden and Fountain City and 9 unincorporated communities. The electric facilities of Union City Electric Company provide electric utility service in Ohio to approximately 1,000 customers in and adjacent to Union City, Ohio, and College Corner, Ohio. Under said agreements the Company is to receive, in addition to the physical properties acquired, an aggregate of \$529,000. in cash (subject to certain adjustments provided for in said agreements). It is expected that, subject to procuring necessary approvals or other authorization from governmental regulatory agencies having jurisdiction, the proposed transactions will be consummated at the earliest practicable date. Copies of said agreements are filed as exhibits to the Registration Statement and reference is made thereto for further information with respect to the proposed transactions. See, also, Note 8 to Balance Sheets of the Company herein.

There have been no material changes, except as noted herein, in the properties described above since the dates as of which the information is stated.

FRANCHISES

The business of the Company is governed by the applicable provisions of the Indiana statutes, including the utility regulatory statute known as the "Public Service Commission Act." The Company's business within municipalities is carried on for the most part (a) under statutory indeterminate permits obtained by operation of law upon the surrender of previously existing licenses, permits or franchises from municipal authorities, or (b) under assignable licenses, permits or franchises granted by municipal authorities and having the effect of indeterminate permits. A small portion of the business is done under other assignable licenses, permits or franchises granted by municipal authorities. In every municipality where the Company is operating under a license, franchise or permit, another public utility may not be granted a license, franchise or permit to render similar utility service without first securing from the Indiana Commission a declaration, after a public hearing of all parties interested, that public convenience and necessity require such second public

utility. In some instances, the Company either does not have or has been unable to locate any franchise or permit. The cases in which it appears that a question might exist as to the validity of the permits, franchises or other operating rights of the Company in municipalities relate to utility services from which, in the aggregate, the Company obtained in 1947 and 1948 less than 4% of its aggregate operating revenues. Where required, declarations of public convenience and necessity for rural service, assignable with the consent of the Indiana Commission, have been obtained.

Under the Public Service Commission Act, the Company, by accepting or operating under indeterminate permits, or licenses, permits or franchises having the effect of indeterminate permits, is deemed to have consented to a future revocation thereof by the Indiana Commission for cause, and to future acquisition by any municipality, upon its complying with the procedure required by such act, of the Company's property in such municipality, including property located in contiguous territory within six miles of the corporate limits of such municipality, at the value to be determined in accordance with such act. Such act also provides, among other things, that if it should be repealed or annulled, "then all such indeterminate franchises, permits, or grants shall cease and become inoperative and in place thereof such utility shall be reinstated in the possession and enjoyment of the license, permit or franchise surrendered by such utility at the time of the issue of the indeterminate franchise, permit or grant; but in no event shall such reinstated license, permit or franchise be terminated within a less period than five (5) years from the date of the repeal or annulment of this act." In the case of licenses, permits or franchises, not constituting indeterminate permits, granted by municipalities and other public authorities, the general effect thereof is to confer a nonexclusive right to occupy streets, alleys and other public places for the construction, maintenance and operation of facilities, upon the terms and conditions therein specified not inconsistent with applicable Indiana statutes, for furnishing the prescribed utility service within the territory therein described. The Company has authority where necessary from governmental bodies for the installation, maintenance or operation of its electric lines outside the limits of incorporated municipalities, with minor exceptions.

RATES

The statements hereinafter made with reference to rates do not purport to summarize all of the rate schedules of the Company or all of the rates applicable to cities, towns, communities and other areas served by the Company. Complete rate schedules are on file with the Indiana Commission which provide that if the bills rendered in accordance therewith are not paid within the prescribed period a collection charge shall be added thereto. The territory served by the Company is segregated for electric rate purposes, pertaining to residential and commercial service, into the following four divisions:

Group A Rate Areas: Comprising the municipalities of Aurora, Bedford, Bicknell, Bloomington, Brazil, Clinton (including Fairview Park, Crompton Hill and Briar Hill), Columbus (including East Columbus), Connersville, Franklin, Greencastle, Greensburg, Huntington, Jeffersonville (including Clarks-ville and Claysburg), Kokomo, Lafayette, Martinsville, New Albany, New Castle, Noblesville, Princeton, Seymour, Shelbyville, Sullivan, Terre Haute, Vincennes, Wabash, West Lafayette and West Terre Haute.

Group B Rate Areas: Comprising approximately 583 municipalities and unincorporated communities not included in Class A Rate Areas.

Resort Areas: Comprising the unincorporated communities of Hollybrook Lake, Long Lake, Lukens Lake, McCoy Lake, Northern Wood, Nyona Lake and Riverwood, where the service supplied is principally for summer resorts and is seasonal in character.

Rural Areas: Comprising rural customers in 70 counties.

The net rate for residential service in effect in the municipalities in Group A, begins at 5¢ per kilowatt-hour and drops through blocks to 2¢ per kilowatt-hour. The net rate for commercial service also ranges downward, but in broader blocks, from 5¢ per kilowatt-hour to 2¢ per kilowatt-hour. The net rates for residential and commercial service in effect in the municipalities and unincorporated communities in Group B differ only in the initial step which is 5½¢ per kilowatt-hour for this group. A minimum monthly bill of \$1.00 applies to

both residential and commercial rates in Groups A and B. Rural Area and Resort Area rates for residential and commercial service are slightly higher than the rates in effect in the municipalities and unincorporated communities in Group B and differ also as to the minimum monthly bill. For Rural Areas the minimum monthly bill is \$1.50 and for Resort Areas when service is seasonal the minimum bill is \$12.00 for six months' service, payable in advance, and when year-round service is provided the minimum bill is \$1.00 per month.

For residential water heater service (not applicable to the first 200 kwh used per month) the rate schedules provide that (1) where a customer has installed and in regular use a standard approved type of electric water heater of from 30 to 74 gallons capacity, the last 400 kilowatt-hours used in any month shall be billed at the rate of 1.3¢ per kilowatt-hour, and (2) where a customer has installed and in regular use a standard approved type of electric water heater of 75 gallons or greater capacity, the last 600 kilowatt-hours used in any month shall be billed at the rate of 1.3¢ per kilowatt-hour.

The Company also has various rates available for power service, street railway service, electric service to municipalities for street lighting and other public uses, and wholesale service to other public utilities, municipal utilities and rural electric membership corporations. In certain instances provisions are made for off-peak and seasonal loads.

REGULATION

State. The Company is a public utility under the laws of Indiana, and is subject to regulation by the Indiana Commission as to its rates, services, accounts, depreciation, issuance of securities, acquisitions and sales of utility properties or securities, and in other respects, as provided by the laws of Indiana appertaining to public utilities operating in the State. The Indiana Commission is also empowered to review municipal action, taken pursuant to such laws, in determining the quality and character of service rendered by a public utility in such municipality, and the terms and conditions upon which such public utility may be permitted to occupy streets, highways, and other public property within such municipality, and in requiring such public utility to make additions and extensions to its plant under the conditions designated by the municipality. The Indiana Commission is also given the power to authorize the making by such a public utility of reasonably necessary additions and extensions in any municipality, if such municipality fails or refuses to authorize the making of such necessary additions and extensions. Approval by the Indiana Commission of the issue and disposition of the New Preferred Stock and the issue of such shares of Common Stock of the Company as may be required for the conversion of the New Preferred Stock, has been granted by an order entered by the Indiana Commission. A copy of such order has been filed as an exhibit to the Registration Statement.

Federal. (a) The Company is neither a registered holding company nor a subsidiary of a registered holding company. Because of its ownership of all the issued and outstanding capital stock (525 shares of common stock without par value) of Union City Electric Company, an Ohio corporation and a public utility, and because of its ownership of 4,753 shares (98.37%) of the preferred stock and of 39,580 $\frac{1}{3}$ shares (98.95%) of the common stock of Southeastern, the Company is a holding company within the meaning of that term as used in the Public Utility Holding Company Act of 1935 (herein sometimes referred to as the "Holding Company Act"), but it has been exempted from registration pursuant to the provisions of Section 3 of said act and Rule U-2 of the Securities and Exchange Commission (herein referred to as the "SEC"). The Securities Act of 1933 is applicable to any securities of the Company that are disposed of by it and either are not exempted securities within the provisions of Section 3 of said Act or are not disposed of under circumstances making such disposition an exempted transaction within the provisions of Section 4 of said Act. Since the proposed disposition of New Preferred Stock does not fall within either of said sections, the proposed issue has been registered under said act.

(b) The Federal Power Act gives the Federal Power Commission (herein referred to as the "FPC") jurisdiction over the business of transmitting electric energy in interstate commerce and of selling such energy at wholesale in interstate commerce and over the facilities for such transmission or sale of electric energy. Said

Act also vests in the FPC certain jurisdiction, among other things, over rates and charges in connection with such interstate transmission and sale of electric energy; transactions involving the sale, lease or other disposition of facilities of public utility companies subject to the jurisdiction of the FPC and the merger or consolidation of such facilities; the accounting and the depreciation practices of public utility companies subject to the jurisdiction of the FPC; and the issuance of securities by such companies. The FPC has prescribed a classification of accounts for electric utility companies subject to its jurisdiction, which classification of accounts is substantially identical with the uniform system of accounts prescribed for electric utilities by the Indiana Commission. The FPC has claimed jurisdiction over the Company in respect of wholesale contracts to which the Company is a party covering the electric energy delivered or received thereunder which originates at, or is destined for, points outside the State of Indiana. The Company is disputing the extent of the jurisdiction so claimed by the FPC, except in the matter of the classification of accounts. In the opinion of counsel for the Company, the approval of the FPC is not required for the issue or disposition of the New Preferred Stock hereby offered.

MANAGEMENT

The names and addresses of the directors and executive officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Robert A. Gallagher	110 North Illinois Street Indianapolis, Indiana	Director and President
David P. Pardee	110 North Illinois Street Indianapolis, Indiana	Vice-President
Garland J. Oglebay	110 North Illinois Street Indianapolis, Indiana	Director and Vice- President
Frank D. Danielson	110 North Illinois Street Indianapolis, Indiana	Vice-President
Earl H. Conway	110 North Illinois Street Indianapolis, Indiana	Comptroller
Edwin J. Booth	110 North Illinois Street Indianapolis, Indiana	Secretary
Edwin G. Aabye	110 North Illinois Street Indianapolis, Indiana	Treasurer
Hugh A. Barnhart	Rochester, Indiana	Director
William C. Freeman	20 North Wacker Drive Chicago, Illinois	Director
Dudley R. Gallahue	542 North Meridian Street Indianapolis, Indiana	Director
William C. Griffith	117 East Washington Street Indianapolis, Indiana	Director
Anton Hulman, Jr.	9th and Wabash Avenue Terre Haute, Indiana	Director
Peirce C. Ward	Indian Hill Farms R. F. D. No. 3 Rochester, Indiana	Director
D. Arthur Williams	Kokomo, Indiana	Director

Throughout the past five years, each of the executive officers of the Company, except Frank D. Danielson, has been continuously active in the business of the Company. During the portion of the past five years which was prior to April 11, 1949, the date on which he was elected a vice-president of the Company, Mr. Danielson was employed as executive vice-president and a director of the Interstate Power Company, Dubuque, Iowa.

The total remuneration paid by the Company and its subsidiaries to its directors and officers for the calendar year 1948 was, and the estimated total based on salary rates now in effect for the calendar year 1949 is, as follows:

	Year Ended December 31	
	1948	1949 Estimated
Directors' fees.....	\$ 21,000	\$ 21,000
Officers' salaries.....	134,604	170,540
Bonuses and shares in profits paid to directors and officers.....	None	None
Other remuneration paid to directors and officers (amounts contributed by the Company toward the purchase of retirement annuities and insurance).....	18,125	28,476
Total remuneration of directors and officers.....	<u>\$173,729</u>	<u>\$220,016</u>

For 1948, Robert A. Gallagher was paid a salary of \$51,042. as president and the amounts contributed by the Company toward the purchase of his retirement annuities and insurance aggregated \$6,074. For 1949, Mr. Gallagher's salary is estimated at \$59,583., excluding \$7,358. of annuity and insurance contributions.

At September 30, 1949, no person owned of record, or was known by the Company to own beneficially more than 10% of any class of outstanding stock of the Company. At that date, the directors and officers of the Company, as a group, owned beneficially and of record 62 shares of 3½% Preferred Stock and 4,628 shares of Common Stock, and owned beneficially but not of record 4,267 shares of Common Stock.

Item (VI) of Division I (4) L of the articles of consolidation of the Company provides that each director shall be indemnified by the Company against expenses reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a director of the Company, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to have been derelict in the performance of his duty as such director; and that the foregoing right of indemnification shall not be exclusive of other rights to which he may be entitled as a matter of law.

The Company, by resolution adopted by the Board, has agreed, among other things, to indemnify, protect and hold harmless its directors, officers, counsel and employees against any and all liability, damages or claims not founded on or arising out of the willful or gross negligence of such director, officer, counsel or employee, which they or any of them may incur or which may be asserted against them or any of them, either under the Securities Act of 1933, or under the common law or otherwise, on account of or arising out of the preparation, filing or use of any registration statement or any prospectus filed therewith, or any amendment to either any such registration statement or prospectus, relating to the issuance or sale by the Company of the New Preferred Stock, *subject, however*, in the case of each director, officer and counsel to the limitation that he shall not be entitled to any indemnification from the Company against any cost, expense or payment with relation to (i) any matter with respect to the New Preferred Stock as to which he shall be finally adjudicated liable under the Securities Act of 1933, as amended, or derelict in the performance of his duties under such act as such officer or director, as the case may be, or (ii) any matter with respect to the New Preferred Stock as to which there has been no adjudication with respect to his performance of said duties unless the Company shall

receive an opinion from independent counsel that as to such matter such officer or director, as the case may be, is not, in their opinion, liable under said act and has not been so derelict. Counsel for the Company have waived their rights under the aforesaid indemnification except in cases where there has been final adjudication that they were free of fault and that indemnification is lawful under the Securities Act of 1933, as amended.

Copies of said Item (VI), of said resolution and of said waivers are filed as exhibits to the Registration Statement.

Insofar as the foregoing item or resolution may permit indemnification for liabilities arising under the Securities Act of 1933, the Company has been advised by the SEC that, in the opinion of the SEC, such provisions are against public policy as expressed in the Act and therefore unenforceable. In the event that a claim for indemnification is asserted by any officer, any director, any counsel, or any other employee of the Company, the Company will submit to a court of appropriate jurisdiction, in the absence of controlling precedent, the question of whether or not indemnification by it is against public policy as expressed in said act and will be governed by the final adjudication of such issue.

LEGAL OPINIONS

The legality of the New Preferred Stock will be passed upon on behalf of the Company by Edmond W. Hebel, Esquire, 110 North Illinois Street, Indianapolis 4, Indiana, who is general counsel for the Company, and on behalf of the prospective purchasers and the subscribing shareholders by Messrs. Sidley, Austin, Burgess & Harper, attorneys, 11 South LaSalle Street, Chicago 3, Illinois, who were selected by the Company as independent counsel for such purpose. As to matters governed by Indiana law, including the organization of the Company, the right of the Company to operate as a public utility under the laws of Indiana, and the indeterminate permits, franchises and licenses of the Company, Messrs. Sidley, Austin, Burgess & Harper will rely upon the opinion of Edmond W. Hebel, Esquire.

The statements as to matters of law and legal conclusions set forth in this Prospectus under the captions "History and Business" (sub-caption "Competition"), "Regulation," "Property" (sub-caption "Character of Ownership"), "Franchises" and "Legal and Commission Proceedings" have been prepared under the supervision of, and reviewed by, Edmond W. Hebel, Esquire, of Indianapolis, Indiana, who has given his opinion that such statements as to such matters are correct. All such statements are made on the authority of such counsel. In giving his opinion as to the indeterminate permits, franchises and operating licenses of the Company, said Edmond W. Hebel has relied in part upon the opinions of Phillips A. Irwin and Charles W. Campbell, associate counsel in his office; and in giving his opinion as to easements, real estate licenses and ownership of property and existing liens, he has relied in part on the opinions of such associate counsel and of local counsel.

CAPITAL STOCKS OF THE COMPANY

General. The total authorized capital stock of the Company consists of (i) 5,000,000 shares of common stock without par value (i.e. the "Common Stock"), of which 2,846,083 shares are issued and outstanding, and (ii) 300,000 shares of Cumulative Preferred Stock having a par value of \$100. per share (herein sometimes referred to as the "Cumulative Preferred Stock"), of which 150,000 shares, being the 3½% Preferred Stock, are issued and outstanding. The New Preferred Stock (when issued) will be a series of the Cumulative Preferred Stock class. The New Preferred Stock was created, and its issuance and sale authorized, by resolution passed by the Board on November 25, 1949.

Copies of the articles of consolidation and the amendments thereto (herein sometimes referred to as the "Charter"), a copy of the resolution of the Board creating the 3½% Preferred Stock and a copy of said resolu-

tion creating the New Preferred Stock, constitute exhibits to the Registration Statement. The information set forth below is summarized from the Charter or said resolutions. Such information does not purport to be complete, and reference is made to the Charter and said resolutions for further information with respect to the capital stock of the Company. The following information is qualified in its entirety by such reference.

All rights conferred upon shareholders by the Charter are granted subject to the reservation by the Company of the right to increase or decrease its authorized capital stock or any class or series thereof, and to reclassify the same, and to amend, alter, change or repeal any provision contained in the Charter, or to add to any provision to the Charter.

The Cumulative Preferred Stock may be issued in series, each with such designation and with such relative rights, preferences, qualifications, limitations and restrictions (hereinafter collectively referred to as "Rights and Restrictions") as are stated in the Charter, and, to the extent permitted by the Charter, as are fixed by the Board. All shares of Cumulative Preferred Stock shall be of equal rank and shall be identical, except in respect of the particulars of designation, annual dividend rate, dividend dates, redemption price or prices, sinking fund (if any), conversion rights (if any), liquidation rights and such other Rights and Restrictions as may be fixed by the Board as permitted by the Charter; and each share of each series shall be identical with the other shares of such series, except as to the dates from which dividends thereon shall be cumulative.

Subject to the limitations provided in the Charter, the shares of stock of the Company, common or preferred, may be issued, sold or otherwise disposed of by it for such amount of consideration (whether, in case of shares having a par value, such amount of consideration be less than, equal to or in excess of the par value of such shares), and upon such other terms and conditions, as the Board may by resolution from time to time and at any time fix and determine in connection with the issue, sale or other disposition thereof. Shares of stock of the Company may be issued only as fully paid up and nonassessable shares.

The Company may from time to time issue scrip certificates in lieu of fractional shares of its stocks, common or preferred, if and to the extent that in the opinion of the Board it is desirable so to do. Such scrip certificates, if authorized, do not confer upon the holder thereof any right to dividends or other rights of a shareholder of the Company, but, within such limits of time (if any) as may be fixed by the Board in connection with the authorization of the scrip, may, when combined in amounts representing one or more full shares of the stock to which such scrip appertains, be surrendered to the Company for the number of shares of the stock so represented.

Definition of Certain Terms. As defined in the Charter and as used herein:

(a) the term "Common Stock Dividends" includes dividends or other distributions on or the purchase or other acquisition of shares of the Common Stock, but does not include dividends payable solely in shares of the Common Stock; and

(b) the term "Common Stock Equity" means the sum of the amount of the stated value of the issued and outstanding shares of the Common Stock and the surplus (including capital or paid-in surplus) of the Company, less the amount known, or estimated if not known, to represent the excess, if any, of recorded value over original cost of used and useful utility plant and other property, and less any items set forth on the asset side of the balance sheet as a result of accounting convention such as unamortized debt discount and expense, capital stock discount and expense, and the excess, if any, of the aggregate amount payable on involuntary dissolution, liquidation or winding up of the Company upon all outstanding shares of preferred stock of all classes over the aggregate stated value of such shares, unless such amount or items so to be deducted in the determination of the Common Stock Equity are being amortized or are provided for by reserves; and

(c) the term "Total Capitalization" means the aggregate of the stated value of the issued and outstanding shares of stock of all classes of the Company and the surplus (including capital or paid-in surplus) of the Company, plus the principal amount of all outstanding debt maturing more than twelve months from the date of the determination of Total Capitalization; and

(d) the term "Gross Operating Revenues of the Company" for any period means an amount determined by deducting from all revenues of the Company for such period derived from the operation of the physical properties owned by the Company and subject to the lien of any indenture of mortgage or deed of trust securing mortgage bonds issued or assumed by the Company, the total of all cash payments which shall have been made or agreed to be made and for which liability shall have been incurred by the Company (x) as rental for such period for any utility property not owned by the Company, and (y) for the purchase during such period of electric energy, electric capacity, and gas, manufactured, natural or mixed, from others in the regular course of business of the Company; and

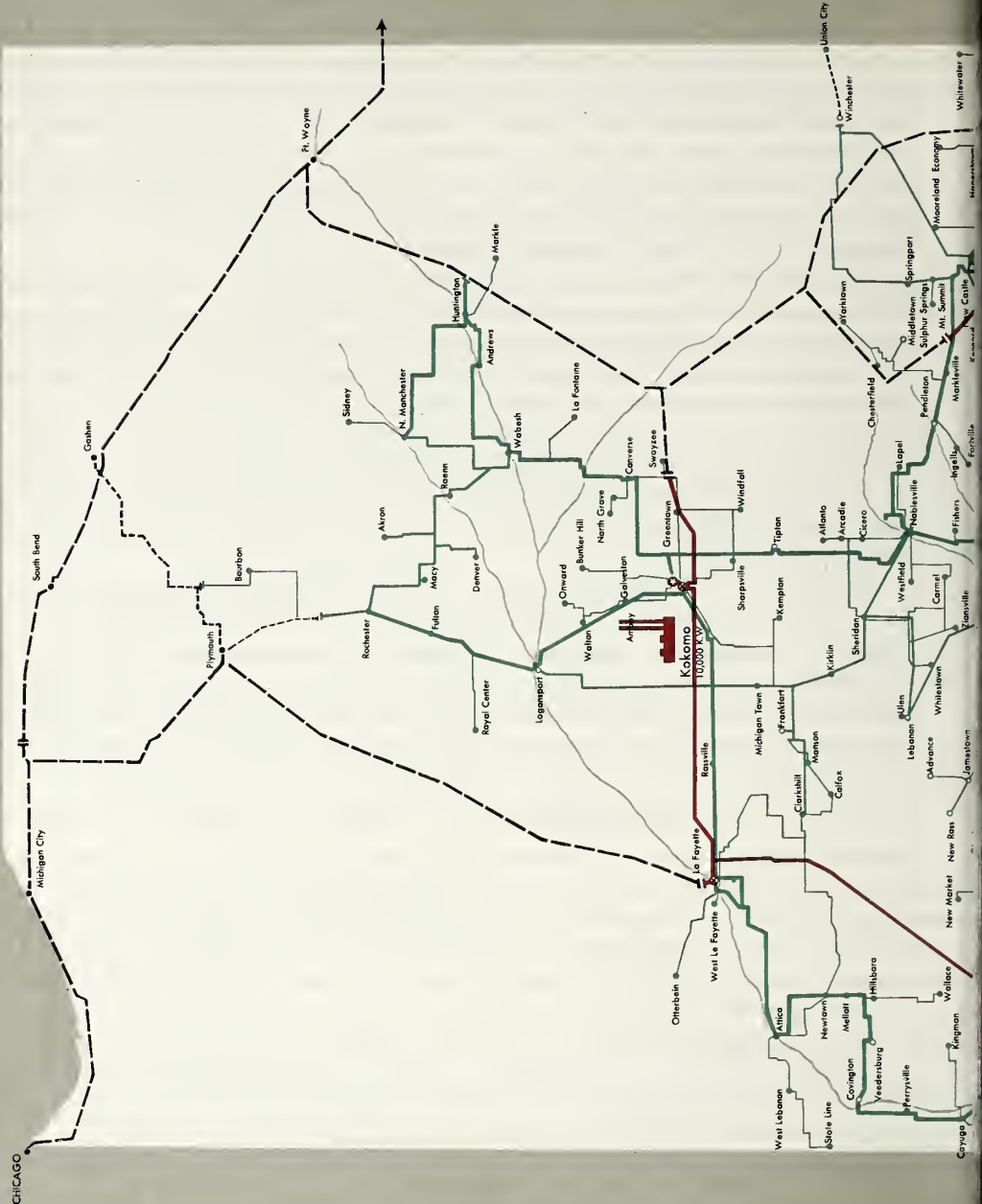
(e) the term "Net Earnings of the Company Available for the Payment of Interest Charges" for any twelve month period means an amount equal to the sum of the operating revenues and income from investments and other miscellaneous income for such period with respect to which the determination of such net income is being made, less all proper deductions (including accruals) for operating expenses for such period, including maintenance and provision for depreciation in the actual amount thereof for such period as shown on the books of the Company or an amount equal to fifteen per centum (15%) of the Gross Operating Revenues of the Company for such period, whichever is greater, income and excess profits and other taxes, all as shall be determined in accordance with such system of accounts as may be prescribed by governmental authorities having jurisdiction in the premises or, in the absence thereof, in accordance with sound accounting practice; and

(f) the term "Net Income of the Company Available for Dividends on the Common Stock" means, for any twelve month period, the Net Earnings of the Company Available for the Payment of Interest Charges for such period, less interest charges, amortization charges, other proper income deductions, and dividends, paid or accrued, on all outstanding shares of stock of the Company having a preference as to dividends over the Common Stock, for such period, all as shall be determined in accordance with such system of accounts as may be prescribed by governmental authorities having jurisdiction in the premises or, in the absence thereof, in accordance with sound accounting practice.

DESCRIPTION OF THE NEW PREFERRED STOCK

Dividend Rights. The record holders of the New Preferred Stock, in preference to the holders of any stock ranking junior thereto, are entitled to receive cumulative cash dividends, commencing December 1, 1949, at the annual rate of 4.64% (and no more), payable quarter-yearly on March 1, June 1, September 1 and December 1 in each year, when and as declared by the Board out of any funds of the Company legally available therefor. The Charter provides that no dividend shall be paid upon, or declared or set apart for payment upon, any share of the Cumulative Preferred Stock of any series for any quarterly dividend period unless at the same time a like proportionate dividend for the same quarterly dividend period, ratably in proportion to the respective annual dividend rates fixed therefor, shall be paid upon, or declared and set apart for payment upon, all shares of Cumulative Preferred Stock of all series then issued and outstanding and entitled to receive such dividend. In no event, so long as any shares of Cumulative Preferred Stock shall be outstanding, shall any dividend, whether in cash or property, be paid or declared, or shall any distribution be made on any class of stock of the Company ranking junior to the Cumulative Preferred Stock, or shall any shares of any such junior stock be purchased, redeemed or otherwise acquired for value by the Company, unless all dividends on the Cumulative Preferred Stock of all series for all past quarterly dividend periods and for the current dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart for payment. The provisions of the immediately preceding sentence shall not, however, apply to a dividend with respect

The map displays the Kokomo, Indiana area, highlighting the Kokomo 10,000 K.V. transmission line in red. The line runs north-south through the center of the map, with a substation near Kokomo. Other lines in green and blue represent different transmission systems. The map also shows the location of the Chicago area to the west and the Ohio River to the east.





to any such junior stock, payable in any class of stock ranking junior to the Cumulative Preferred Stock, or to the acquisition of shares of any such junior stock in exchange for, or through application of the proceeds of the sale of, shares of any such junior stock.

Voting Rights. At all the meetings of the shareholders of the Company each record holder of the Cumulative Preferred Stock shall, except as otherwise provided by law or the provisions of the Charter, be entitled to one vote for each share of the Cumulative Preferred Stock so held by him. Except when some mandatory provisions of law shall be controlling and except as otherwise provided in the Charter, whenever shares of two or more series of the Cumulative Preferred Stock are outstanding, no particular series of the Cumulative Preferred Stock shall be entitled to vote as a separate series on any matter and all shares of the Cumulative Preferred Stock of all series shall be deemed to constitute but one class for any purpose for which a vote of the shareholders of the Company by classes may now or hereafter be required. The Cumulative Preferred Stock does not have any cumulative voting rights.

Special Provisions. If and when dividends payable on the Cumulative Preferred Stock shall be in default in an amount equivalent to or greater than four (4) full quarter-yearly dividends on all shares of all series of the Cumulative Preferred Stock then outstanding, then at each meeting of shareholders at which directors are elected thereafter held prior to such time as all dividends in default on the Cumulative Preferred Stock shall have been paid or declared and set aside for payment, the record holders of all shares of the Cumulative Preferred Stock, voting separately as one class, shall elect the smallest number of directors necessary to constitute a majority of the full board of directors, and the record holders of the Common Stock, voting separately as a class, shall elect the remaining directors of the Company. The Charter contains special provisions in respect of the holding of meetings for the election of directors during such periods of default in the payment of such dividends. The term of office of a director shall not be affected by the occurrence of the defaults in the payment of dividends on the Cumulative Preferred Stock above referred to, or by the rights hereinabove given the record holders of Cumulative Preferred Stock to elect directors; and the term of office of each director serving at such time shall continue until his successor has been duly elected and has qualified. If and when all dividends then in default on the Cumulative Preferred Stock then outstanding shall be paid or declared and set aside for payment (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practicable), the Cumulative Preferred Stock shall thereupon be divested of the special rights with respect to the election of directors provided for by the first sentence of this paragraph and the voting rights of the Cumulative Preferred Stock and the Common Stock shall revert to the status existing before the occurrence of such default; but always subject to the same provisions for vesting such special voting rights in the Cumulative Preferred Stock in case of further like default in dividends thereon, and the termination of such special voting rights upon such default being remedied.

So long as any Cumulative Preferred Stock is outstanding, the Company (except in cases where the affected shares are to be presently redeemed) shall not without, but may with, the consent (given by vote at an annual or special meeting) of the record holders of at least two-thirds of the total number of shares of the Cumulative Preferred Stock of all series then outstanding: (1) create, authorize or issue shares of stock of any class ranking prior to the Cumulative Preferred Stock as to dividends or assets or any securities of any kind or class convertible into shares of stock of any class ranking prior to the Cumulative Preferred Stock as to dividends or assets; or (2) issue any shares of the Cumulative Preferred Stock or shares of stock of any class ranking on a parity with the Cumulative Preferred Stock as to dividends or assets or securities convertible into shares of the Cumulative Preferred Stock or stock on a parity therewith, other than in exchange for or for the purpose of effecting the retirement, by redemption or otherwise, of not less than a like number of shares of the Cumulative Preferred Stock or shares of stock on a parity therewith or securities convertible into not less than a like number of such shares, as the case may be, at the time outstanding, unless (a) the Net Earnings of the Company Available for the Payment of Interest Charges for any twelve consecutive calendar months within the fifteen calendar months immediately preceding the month within which such additional shares of

the Cumulative Preferred Stock or shares of stock on a parity therewith or securities convertible into such shares are proposed to be issued, shall have been at least one and one-half times the aggregate of (i) the dividend requirements for a twelve months' period upon all shares of the Cumulative Preferred Stock and stock, if any, ranking prior to or on a parity with the Cumulative Preferred Stock as to dividends or assets, to be outstanding after the issuance of the shares or convertible securities proposed to be issued, and (ii) the interest requirements for a twelve months' period upon all indebtedness of the Company to be outstanding after the issuance of the shares or convertible securities proposed to be issued, and (b) the Common Stock Equity shall be not less than the aggregate amount payable on involuntary dissolution, liquidation or winding up of the Company upon all shares of the Cumulative Preferred Stock and stock, if any, ranking prior thereto or on a parity therewith, to be outstanding after the issuance of the shares or convertible securities proposed to be issued; or (3) amend the provisions of the Charter so as to affect adversely any of the preferences or other rights thereby given to the holders of shares of the Cumulative Preferred Stock, *provided, however*, that if any such amendment would be adverse to the holders of one or more, but less than all, of the series of the Cumulative Preferred Stock at the time outstanding, consent only of the holders of at least two-thirds of the total number of shares of each series so adversely affected shall be required.

So long as any shares of the Cumulative Preferred Stock of any series are outstanding, the Company (except in cases where the affected shares are to be presently redeemed) shall not without, but may with, the consent (given by vote at an annual or special meeting) of the record holders of at least a majority of the total number of shares of the Cumulative Preferred Stock of all series then outstanding: (1) issue or assume any unsecured notes, debentures or other securities representing unsecured indebtedness, other than for the purpose of refunding secured or unsecured indebtedness theretofore created or assumed by the Company and then outstanding or for the purpose of affecting the retirement, by redemption or otherwise, of shares of the Cumulative Preferred Stock, or of a class of stock ranking prior thereto or on a parity therewith, if as a result of the issuance or assumption of the securities representing such unsecured indebtedness the total principal amount of all securities representing unsecured indebtedness issued or assumed by the Company and then to be outstanding would exceed ten per centum (10%) of the aggregate of (a) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (b) the total of the capital and surplus of the Company as then to be stated on its books; or (2) merge or consolidate the Company with or into any other corporation, merge any other corporation into the Company, or sell all or substantially all of the assets of the Company, unless such merger, consolidation or sale, or the issuance or assumption of all securities to be issued or assumed in connection therewith, shall have been ordered, approved or permitted by the SEC under the Holding Company Act, or by any successor commission or other regulatory authority of the United States having jurisdiction in the premises.

Conversion Rights. The New Preferred Stock will be convertible at any time to and including December 31, 1952 (unless called for previous redemption, in which event the conversion right will expire on the date fixed for redemption), at the option of the holders, into the Common Stock, upon (subject to the adjustments hereinafter referred to) the following basis: (i) each share of New Preferred Stock will be converted into four shares of the Common Stock if surrendered by the owner thereof, for conversion on or before June 30, 1951, and (ii) each share of New Preferred Stock will be converted into four shares of Common Stock if it is surrendered by the owner thereof for conversion between July 1, 1951 and December 31, 1952, both inclusive, and is accompanied by a payment to the Company of \$10. in United States dollars. No right of conversion will exist after December 31, 1952. No surrender of any share or shares of the New Preferred Stock for conversion on any date when the stock transfer books of the Company shall be closed, or after the record date fixed for the determination of shareholders for any purpose, shall be effective to constitute the person or persons entitled to receive the shares of Common Stock upon such conversion as a record holder or holders of such shares of Common Stock on or prior to the date such transfer books are closed, or on or prior to such record date, as the case may be, but such surrender shall be effective to constitute such person or persons such record holder or

holders only on the date of such surrender, or, in case the stock transfer books are closed at the time of surrender, only at the opening of business on the next succeeding date on which such stock transfer books are open, and such conversion shall be into the number of shares and at the conversion price in effect on such next succeeding date.

Adjustment of Conversion Basis. In case the Company shall at any time after the date of the issue of any shares of the New Preferred Stock (i) issue any shares of the Common Stock (other than upon conversion of any then outstanding convertible securities of the Company) without consideration, as a dividend or otherwise, or for a consideration per share less than the conversion price then in effect, or (ii) issue any class of stock or other securities convertible into Common Stock at a conversion price less than the conversion price then in effect for the New Preferred Stock, or (iii) issue any options or warrants entitling the holders to purchase Common Stock at a price less than such conversion price, or (iv) declare or pay any dividend on the Common Stock other than a dividend payable in cash which would affect materially and adversely the conversion rights of the New Preferred Stock, then and in each such case the conversion price is to be reduced in accordance with the provisions set forth in the resolution creating the New Preferred Stock. In case the Company shall at any time subdivide or combine the outstanding shares of the Common Stock issuable upon conversion of the New Preferred Stock, then the conversion price shall be proportionately adjusted. The Company will not be required to make any adjustment of the conversion price in any case in which the amount by which the conversion price would be reduced would be less than \$1.00 (or an adjusted proportionate amount if the number of shares of Common Stock issuable upon conversion of the New Preferred Stock shall be adjusted).

In case of any consolidation or merger of the Company with or into another corporation (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification or change of outstanding shares of the Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company, or such successor or purchasing corporation, shall provide in its corporate charter that the holder of each share of the New Preferred Stock then outstanding shall have the right thereafter, during the period of convertibility of the New Preferred Stock, to convert such share of New Preferred Stock into the kind and amount of shares of stock and other securities and property receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of the Common Stock of the Company into which such share of New Preferred Stock might have been converted immediately prior to such consolidation, merger, sale or conveyance.

No fractional shares or scrip representing fractional shares will be issued upon any conversion, but an adjustment in cash will be made and paid by the Company in respect of any fraction of a share which would otherwise be issuable on the surrender of any share or shares of the New Preferred Stock for conversion.

Preemptive Rights. Holders of Cumulative Preferred Stock are not entitled as a matter of right to subscribe for, purchase or receive additional shares of the stock, common or preferred, of the Company.

Liquidation Rights. In the event of any dissolution, liquidation or winding up of the affairs of the Company, then, before any distribution or payment is made to the holders of any class of stock ranking junior to the Cumulative Preferred Stock, the holders of the Cumulative Preferred Stock are entitled to be paid in full the par value of their respective shares, plus all accrued and unpaid dividends thereon to the date of distribution or payment. If, upon any dissolution, liquidation or winding up of the affairs of the Company, the assets available are not sufficient to pay in full the amounts so payable to the holders of all outstanding shares of Cumulative Preferred Stock, the holders of all series of Cumulative Preferred Stock share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. A consolidation, merger or reorganization of the Company with any other corporation or corporations, or a reorganization of the Company alone, or a sale of all or substantially all of the assets of the Company, is not considered a dissolution, liquidation or winding up of the affairs of the Company within the meaning of these provisions.

Redemption Provisions. The New Preferred Stock may, upon the giving of notice as provided for in the Charter, be redeemed, as a whole, or in part (except in the cases referred to in the immediately succeeding sentence hereof), at the option of the Company by vote of the Board, at any time or from time to time, at redemption prices per share as follows: \$119. per share if redeemed prior to January 1, 1953; \$118. per share if redeemed on January 1, 1953, or thereafter prior to January 1, 1956; \$117. per share if redeemed on January 1, 1956, or thereafter prior to January 1, 1959; \$116. per share if redeemed on January 1, 1959, or thereafter prior to January 1, 1962; \$115. per share if redeemed on January 1, 1962, or thereafter prior to January 1, 1965; \$114. per share if redeemed on January 1, 1965, or thereafter prior to January 1, 1968; \$113. per share if redeemed on January 1, 1968, or thereafter prior to January 1, 1971; \$112. per share if redeemed on January 1, 1971, or thereafter prior to January 1, 1974; \$111. per share if redeemed on January 1, 1974, or thereafter prior to January 1, 1977; \$110. per share if redeemed on January 1, 1977, or thereafter prior to January 1, 1980; \$109. per share if redeemed on January 1, 1980, or thereafter prior to January 1, 1983; \$108. per share if redeemed on January 1, 1983, or thereafter prior to January 1, 1986; \$107. per share if redeemed on January 1, 1986, or thereafter prior to January 1, 1989; \$106. per share if redeemed on January 1, 1989, or thereafter prior to January 1, 1992; \$105. per share if redeemed on January 1, 1992, or thereafter prior to January 1, 1995; \$104. per share if redeemed on January 1, 1995, or thereafter prior to January 1, 1998; \$103. per share if redeemed on January 1, 1998, or thereafter prior to January 1, 2001; \$102. per share if redeemed on January 1, 2001, or thereafter prior to January 1, 2004; \$101. per share if redeemed on January 1, 2004, or thereafter prior to January 1, 2007; and \$100. per share if redeemed on or after January 1, 2007; in each case plus dividends accrued and unpaid to the date of redemption. Unless all dividends on the New Preferred Stock for all past dividend periods and the current dividend period have been paid or set apart for payment, the Company may not call for redemption, or purchase, less than all of the then outstanding shares of the New Preferred Stock.

DESCRIPTION OF THE COMMON STOCK

Dividend Rights. Subject to the restrictions hereinafter referred to, the Board may declare, and the Company may pay, dividends on the Common Stock, provided full cumulative dividends on all the Cumulative Preferred Stock (and on all other preferred stock, if any) then outstanding for all past dividend periods and the current dividend period have been paid or declared by the Board and set apart for payment. Each share of Cumulative Preferred Stock is entitled (in preference to the Common Stock) to cumulative quarterly dividends, when and as declared by the Board, on the par value thereof at the annual rate specified in the designation of such share (3½% per annum as to the 3½% Preferred Stock and 4.64% per annum as to the New Preferred Stock), and no more.

Limitations on Payment of Common Dividends. The Charter provides that, so long as any Cumulative Preferred Stock is outstanding, the Company shall not declare any Common Stock Dividends except to the extent permitted by the following provisions: (a) if the Company's Common Stock Equity at the end of the calendar month immediately preceding the date on which a Common Stock Dividend is declared was, or as a result of such dividend would become, less than 20% of the Company's Total Capitalization, then such dividend shall not be declared in an amount which, together with all other dividends on Common Stock declared within the year ending with (but including) the date of such dividend declaration, exceed 50% of the Net Income of the Company Available for Dividends on the Common Stock for the twelve full calendar months immediately preceding the month in which such Common Stock Dividend is declared; and (b) if such Common Stock Equity at such time was or would by such declaration become less than 25% but not less than 20% of the Total Capitalization, then such dividend shall not be declared in an amount which, together with all other dividends on Common Stock declared within a year's period determined as above stated, exceed 75% of the Net Income of the Company Available for Dividends on the Common Stock for the twelve full calendar months immediately preceding the month in which such Common Stock Dividend is declared; and (c) if such

Common Stock Equity is 25% or more of the Total Capitalization, then a Common Stock Dividend may be declared to such extent as either does not reduce the Common Stock Equity below 25% or, if it does reduce such equity below such percentage, is not greater than the amount permitted as outlined in clause (b) of this paragraph.

The Company's indenture of mortgage and deed of trust dated September 1, 1939 (hereinafter sometimes referred to as the "Original Indenture") to The First National Bank of Chicago, as Trustee, as amended and supplemented by eight supplemental indentures (the Original Indenture as so amended being hereinafter sometimes referred to as the "Indenture"), provides that, so long as any bonds shall be outstanding thereunder, the Company shall not declare or pay any dividends or make any distributions on shares of any class of its capital stock (other than on preferred stock or dividends payable in shares of its Common Stock or dividends which are applied to the purchase of shares of its Common Stock by the shareholder receiving such dividends), or purchase, retire or otherwise acquire for a consideration any shares of its Common Stock, except out of the earned surplus or net profits of the Company determined in accordance with accepted principles of accounting and lawfully available for that purpose. The Indenture provides, however, that for the purpose of such covenant only, in computing the amount of such earned surplus or net profits, there shall have been, subsequent to September 1, 1939, and up to the date as of which the computation is made, charged to operating expenses for maintenance or as a reserve for depreciation or retirements, the aggregate amounts required to be expended and deposited with the Trustee under the provisions of the Maintenance and Renewal Fund for such period (Section 19 of Article V of the Original Indenture, as amended). Copies of the Original Indenture and all amendments thereto are filed as exhibits to the Registration Statement and the information set forth under the captions "Description of the New Preferred Stock" and "Description of the Common Stock" is qualified in its entirety by such reference.

In Section 3 of Article III of the Eighth Supplemental Indenture to the Original Indenture the Company covenants and agrees that, subject to the provision set forth in the next succeeding sentence of this paragraph, the Company will not, after December 31, 1948 and so long as any of the Company's Series H Bonds are outstanding, declare or pay any dividends on the Common Stock or make any other distribution on or purchase of any shares of the Common Stock, if, as a result thereof, the cumulative aggregate amount of such dividends (other than dividends payable in shares of the Common Stock) payable subsequent to December 1, 1947, and all distributions and purchases of any shares of Common Stock made by it subsequent to December 1, 1947, exceeds the amount of the earned surplus or net profits of the Company (computed before deducting any amount in respect of such dividends, distributions and purchases) accumulated subsequent to October 31, 1947, determined in accordance with accepted accounting practice. It is, however, provided in said Section 3, that in determining at any time or from time to time, for purposes of said Section, the amount of earned surplus or net profits arising subsequent to October 31, 1947 (i) no deduction or addition shall be made for any or all of the following direct charges or credits to earned surplus, to-wit, (1) surplus adjustments applicable to a period or periods prior to November 1, 1947, (2) charges to earned surplus for the write-off at any time of any of the unamortized discount, premium and expense existing at November 1, 1947 on issues of funded debt not outstanding on November 1, 1947, (3) charges to earned surplus covering loss on sale, abandonment or write-down of property or investments owned on November 1, 1947, whether or not subject to the lien of the Indenture, and (4) charges to earned surplus with respect to transfers from surplus to common stock capital, and (ii) in computing the amount of such earned surplus or net profits since October 31, 1947, there shall have been, for each of the years and any fraction of an uncompleted year from October 31, 1947 to the date of the determination of such earned surplus or net profits, charged to operating expenses for maintenance or as a reserve for depreciation or retirements, the aggregate amounts required to be expended and deposited with the Trustee under the provisions of the Maintenance and Renewal Fund for such period; and that in the event that subsequent to October 31, 1947 the Company shall increase its common stock capital (exclusive of increases resulting from conversion of the Company's Fifteen Year 2 $\frac{3}{4}$ % Convertible Debentures due May 1, 1962), then,

to the extent of such increase, said dividend restrictions provided for in said Section 3 shall cease to continue in force and effect.

Voting Rights. Each record holder of Common Stock is entitled to one vote for each share of stock held by him, *subject, however,* to the voting rights possessed by the holders of Cumulative Preferred Stock in respect of the election of directors in the event of defaults in the payment of dividends in an amount equal to or in excess of four quarterly dividends on all outstanding Cumulative Preferred Stock, or as otherwise provided by law or the provisions of the Charter. The Common Stock does not have any cumulative voting rights. See, also, information herein under the sub-caption "Special Provisions" under the caption "Description of the New Preferred Stock."

Preemptive Rights. The holders of the Common Stock have preemptive rights in respect of additional shares of the Common Stock to be sold for cash, and in respect of bonds, debentures or other securities convertible into shares of the Common Stock which are to be sold for cash. Shares or other securities which are offered to the shareholders under their preemptive rights and are not purchased thereunder may be issued and sold as determined by the Board. Except as above provided, any stock or other securities issued by the Company may be sold or otherwise disposed of as determined by the Board and without first being offered to shareholders.

Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Company, the holders of the Common Stock are entitled, after there shall have been paid to or set apart for the holders of the stocks ranking senior to the Common Stock as to dividends or assets, or both, the full preferential amounts to which they are entitled, to receive, pro rata, all of the remaining assets of the Company available for distribution to its shareholders.

Redemption Provisions. The Common Stock is not subject to redemption. Any series of the Cumulative Preferred Stock may, if the Board so determines in connection with the issue thereof, be subject to redemption, in whole or in part at any time, at the redemption price or prices of the shares to be redeemed. (For redemption prices of the 3½% Preferred Stock, see Note 5 to balance sheets of the Company herein; and for redemption prices of the New Preferred Stock, see information herein under sub-caption "Redemption Provisions" under caption "Description of the New Preferred Stock.")

LEGAL AND COMMISSION PROCEEDINGS

Various legal and commission proceedings, including suits and claims for personal injury, death and property damage, are pending against the Company, but, in the opinion of counsel for the Company, the nature of such proceedings and suits, and the amounts involved, do not, in the case of any active proceeding other than those referred to under the caption "Regulation" above, depart from the routine litigation and commission proceedings incident to the kind of business conducted by the Company. No proceedings against the Company or its subsidiaries are contemplated by governmental authorities to the knowledge of the Company.

CERTAIN CONTRACTS

The Company has many contracts which were made in the regular course of business, such as contracts covering the purchase and interchange of electric energy, contracts for street lighting and other public uses, contracts for purchase of materials and supplies, contracts with the consumers of electricity, contracts with various municipalities and public utilities for the sale of electric energy at wholesale, property leases, labor contracts, joint pole line agreements, contracts for construction and contracts for the purchase of equipment. Copies of such of these contracts as are deemed by the Company to be material within the meaning of such term as used in the Rules and Regulations promulgated by the SEC under the Securities Act of 1933, and as were not wholly performed on November 1, 1949 or were made not more than two years before said date, are included among the exhibits to the Registration Statement.

AUDITORS' CERTIFICATE

We have examined the balance sheet of PUBLIC SERVICE COMPANY OF INDIANA, INC. (an Indiana corporation), hereinafter referred to as the Company, as of December 31, 1948. We have also examined the related statements of income and surplus for the three years then ended and the earnings summary for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet as of December 31, 1948 and statements of income and surplus present fairly the financial position of the Company as of December 31, 1948 and the results of its operations for the three years then ended; and the earnings summary of the Company, referred to above, presents fairly the results of its operations for the five years then ended, and all were prepared in conformity with generally accepted accounting principles consistently applied during the periods under review.

ARTHUR ANDERSEN & Co

Chicago, Illinois,
February 1, 1949

PUBLIC SERVICE COMPANY OF INDIANA, INC.

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

Financial Statements Included in the Prospectus	Pages
Balance sheets—December 31, 1948 (audited) and September 30, 1949 (unaudited).....	34-37
Statements of income for the years ended December 31, 1946, 1947 and 1948 (audited) and for the nine months ended September 30, 1949 (unaudited).....	38-40
Statements of earned surplus for the years ended December 31, 1946, 1947 and 1948 (audited) and for the nine months ended September 30, 1949 (unaudited).....	41-42

Schedules Supporting the Financial Statements

Information included in the footnotes or schedules (together with the auditors' certificate with respect thereto) supporting the financial statements for the year 1946 included in the Registration Statement (File 2-6988) and information included in footnotes or schedules supporting the financial statements (together with the auditors' certificates with respect thereto) of the Form 1-MD Annual Reports (Files No. 2-4893) for the years 1947 and 1948 is incorporated herein by reference for the following schedules:

- III—Investments in securities of affiliates
- V—Utility plant
- VI—Reserve for depreciation
- VII—Intangible assets
- VIII—Reserves for depreciation and amortization of intangible assets
- XII—Reserves
- XVIII—Supplementary schedule of operating revenues

The following schedules supporting the financial statements as of September 30, 1949 and for the nine months ended that date, not examined by independent public accountants, are filed as an exhibit to the Registration Statement:

- V—Utility plant
- VI—Reserve for depreciation
- VII—Intangible assets
- VIII—Reserves for depreciation and amortization of intangible assets
- IX—Long-term debt
- XII—Reserves
- XIII—Capital stock
- XVIII—Supplementary schedule of operating revenues

Significant information required by Schedule XVI—Supplementary Income Information and Schedule XVII—Income From Dividends—Equity In Net Profit And Loss Of Affiliates is submitted as part of the notes accompanying the statements of income.

PUBLIC SERVICE COMPANY OF INDIANA, INC.
BALANCE SHEETS—DECEMBER 31, 1948 AND SEPTEMBER 30, 1949

	Dec. 31, 1948	Sept. 30, 1949 (Not Examined by Independent Public Accountants)
ASSETS		
UTILITY PLANT —including intangibles (Note 1):		
Original cost	\$131,403,384	\$145,331,761
Cost in addition to original cost (acquisition adjustment account) being charged to earned surplus during the period ending October 31, 1958..	3,311,507	3,311,507
	<u>\$134,714,891</u>	<u>\$148,643,268</u>
 CONSTRUCTION FUND —United States Treasury obligations.....	 \$ 2,000,000	 \$ 8,000,000
 INVESTMENTS —at cost or less—(Notes 2 and 3):		
In securities of subsidiary companies not consolidated—		
Indiana Gas & Water Company, Inc. common stock.....	\$ 1,355,291	\$ —
Union City Electric Company common stock.....	89,943	89,943
	25,860	—
In securities of other affiliated company.....		
Enoco Collieries, Inc.—4% subordinated notes, due serially from 1954 to 1958, inclusive.....	1,000,000	1,000,000
Miscellaneous.....	257,740	248,172
Reserve for miscellaneous investments.....	143,898*	143,898*
	<u>\$ 2,584,936</u>	<u>\$ 1,194,217</u>
 CURRENT ASSETS:		
Cash.....	\$ 3,147,701	\$ 3,465,195
United States Treasury obligations.....	1,000,000	—
Accounts receivable.....	2,444,469	2,427,284
Reserve for uncollectible accounts.....	145,518*	150,501*
Due from subsidiary companies not consolidated.....	18,334	5,878
Materials and supplies—priced at average cost.....	6,548,430	6,273,738
Reserve for obsolete materials.....	88,065*	99,584*
Prepaid insurance, taxes, etc.....	368,520	221,063
	<u>\$ 13,293,871</u>	<u>\$ 12,143,073</u>
 DEFERRED DEBITS	 \$ 54,276	 \$ 78,061
	<u>\$152,647,974</u>	<u>\$170,058,619</u>

*Denotes red figure.

The accompanying notes are an integral part of these balance sheets.

PUBLIC SERVICE COMPANY OF INDIANA, INC.
BALANCE SHEETS—DECEMBER 31, 1948 AND SEPTEMBER 30, 1949

	<u>LIABILITIES</u>	<u>Dec. 31, 1948</u>	<u>Sept. 30, 1949</u> (Not Examined by Independent Public Accountants)
CAPITALIZATION:			
Common stock equity:			
Common stock—without par value—authorized 5,000,000 shares—issued and outstanding 2,366,224 shares at December 31, 1948 and 2,765,324 shares (including 5,255 shares represented by Series 2 Scrip Certificates) at September 30, 1949 (Notes 3 and 4)			
		\$ 30,707,825	\$ 38,689,825
Earned surplus (\$754,571 restricted by indenture provisions as to dividends on common stock at September 30, 1949)—see accompanying statements (Note 3)			
		6,941,534	9,186,473
		<u>\$ 37,649,359</u>	<u>\$ 47,876,298</u>
Cumulative preferred stock—par value \$100 per share—authorized 300,000 shares—issued and outstanding 150,000 shares, 3½% (Note 5)			
		15,000,000	15,000,000
		<u>\$ 52,649,359</u>	<u>\$ 62,876,298</u>
Long-term debt:			
First mortgage bonds—			
Series F, 3½%, due September 1, 1975			
		\$ 48,000,000	\$ 48,000,000
Series G, 3½%, due November 1, 1977			
		15,000,000	15,000,000
Series H, 3%, due January 1, 1979			
		—	12,000,000
Convertible debentures, 2¾%, due May 1, 1962			
		8,064,400	—
Unsecured notes—4%, maturing serially to December 7, 1961			
		912,000	874,000
		<u>\$ 71,976,400</u>	<u>\$ 75,874,000</u>
		<u>\$124,625,759</u>	<u>\$138,750,298</u>
RESERVES:			
Depreciation reserve			
		\$ 16,686,299	\$ 19,055,454
Injuries and damages reserve			
		242,354	246,725
		<u>\$ 16,928,653</u>	<u>\$ 19,302,179</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION			
		<u>\$ 656,417</u>	<u>\$ 679,868</u>
CURRENT LIABILITIES:			
Unsecured notes, maturing within one year			
		\$ 76,000	\$ 76,000
Accounts payable			
		1,871,648	1,586,914
Due to subsidiary company not consolidated			
		864	—
Customers' deposits			
		685,005	704,614
Accrued payroll			
		152,688	158,676
Accrued taxes—State, local, etc.			
		2,263,615	2,994,265
Federal income taxes			
		3,789,256	4,259,298
Accrued interest			
		789,729	600,566
Miscellaneous current liabilities			
		58,123	148,804
		<u>\$ 9,686,928</u>	<u>\$ 10,529,137</u>
DEFERRED CREDITS:			
Unamortized debt premium, less expense—applicable to outstanding issues—in process of amortization over the lives thereof			
		\$ 593,187	\$ 633,601
Customers' advances for construction			
		91,513	85,566
Other deferred credits			
		65,517	77,970
		<u>\$ 750,217</u>	<u>\$ 797,137</u>
		<u>\$152,647,974</u>	<u>\$170,058,619</u>

The accompanying notes are an integral part of these balance sheets.

PUBLIC SERVICE COMPANY OF INDIANA, INC.
NOTES TO BALANCE SHEETS—DECEMBER 31, 1948 and SEPTEMBER 30, 1949

- (1) The results of original cost studies indicate that the utility plant accounts at December 31, 1948 and September 30, 1949 include the following intangibles:
- | | |
|---|--------------------|
| Organization expense at original cost..... | \$ 225,629 |
| Cost in addition to original cost (acquisition adjustment account)..... | 3,267,100 |
| | <u>\$3,492,729</u> |

- (2) During the period March 1, 1947—March 1, 1949, the Company distributed common stock of its subsidiary, Indiana Gas & Water Company, Inc. to its common shareholders in lieu of quarterly cash dividends. As of December 31, 1948, the Company owned 133,712-56/100 shares of the subsidiary's common stock, representing 20.26% of total outstanding stock. Subsequent to this date the Company sold for cash 61,270-72/100 shares and distributed to its common shareholders in lieu of a quarterly cash dividend 72,441-84/100 shares, thereby completing the disposition of its investment in Indiana Gas & Water Company, Inc.

The financial statements of Union City Electric Company, a wholly-owned subsidiary, have not been consolidated with the financial statements of the Company for the reason that the investment in such subsidiary is considered not significant in respect of (a) the assets it represents, or (b) the operating revenues of such non-consolidated subsidiary.

As of July 1, 1949, the Company transferred to the Indianapolis Water Company 300 shares of common stock of the White River Corporation (an inactive affiliated company) in exchange for certain quitclaim deeds, water rights and easements in connection with the construction and operation of the Company's Noblesville Generating Station. Through said transfer, approved by the Public Service Commission of Indiana in Cause No. 21451, the Company disposed of its entire investment (\$25,860) in such affiliated company.

The promissory notes of Enoco Collieries, Inc., a supplier of coal to the Company under a long-term coal purchase agreement, are in the individual amounts of \$100,000 and are due serially from May 1, 1954 to November 1, 1958. Said notes are subordinated to the prior payment in full by Enoco Collieries, Inc. of its outstanding bank loan notes in the principal amount of \$2,000,000, which notes mature serially from 1950 to 1953, inclusive, and, subject to the prior payment of such bank loan notes, are secured by the deposit in escrow of the entire capital stock of that company.

- (3) The Company, on November 25, 1949, consummated an exchange offer made to the shareholders of Southeastern Indiana Power Company on October 28, 1949. As a result of the consummation of said exchange offer, authorized by the Securities and Exchange Commission and the Public Service Commission of Indiana, the Company issued 80,759 shares of Common Stock in exchange for 4,753 shares of Southeastern preferred stock (98.37% of total outstanding) and 39,580 $\frac{1}{3}$ shares of Southeastern common stock (98.95% of total outstanding). The exchange was reflected on the balance sheet of the Company by the recording of \$1,938,216 in its common stock account (\$24 per share issued) and an equal amount in its investment account. As stated in the Registration Statement relating to such stock offer, the Company proposes, as soon as practicable, to effect the liquidation and dissolution of Southeastern. In compliance with the order of the Public Service Commission of Indiana, the Company will charge to earned surplus, following the proposed liquidation of Southeastern, the excess (estimated at approximately \$800,000 at September 30, 1949) of the cost to the Company of the Southeastern property over the original cost of such property.

(Continued on the following page)

PUBLIC SERVICE COMPANY OF INDIANA, INC.
NOTES TO BALANCE SHEETS—DECEMBER 31, 1948 and SEPTEMBER 30, 1949

- (4) On November 29, 1948, The Middle West Corporation distributed to its stockholders in partial liquidation substantially all of its holdings in the Common Stock of the Company. In lieu of issuing fractional shares of the Company's Common Stock, The Middle West Corporation distributed non-dividend and non-voting scrip certificates, supplied by the Company in bearer form, to those stockholders whose individual holdings were other than in multiples of 15 shares. Such scrip, designated as "Series 2 Scrip Certificates" and to become void after December 31, 1953, were issued in 15ths, and when combined in amounts equal to full shares may be surrendered for shares of the Company's Common Stock.
- (5) Callable, in whole or in part, at any time that may be authorized by the Board of Directors upon not less than 30 nor more than 60 days' notice at \$103 per share if redeemed prior to March 1, 1951; \$102 per share if redeemed on March 1, 1951 or thereafter prior to March 1, 1956; \$101 per share if redeemed on March 1, 1956 or thereafter prior to March 1, 1961; and \$100 per share if redeemed on or after March 1, 1961; in each case plus dividends accrued and unpaid to the date of redemption. The aggregate redemption price on shares outstanding at December 31, 1948 and September 30, 1949 if redeemed prior to March 1, 1951 amounts to \$15,450,000, plus accumulated and unpaid dividends thereon to the date of redemption.
- (6) The Company is providing annuities covering services prior to March 1, 1941 (i.e., past service annuities) for employees who have been and are from time to time being retired; and the Company has arranged for the purchase of such past service annuities from an insurance company over a ten-year period, of which four years remain. It is estimated that, for the remaining four years, the cost to the Company of purchasing such past service annuities will aggregate approximately \$549,200. The Company is also making payments directly to retired employees who do not come under the insured plan. The estimated actuarial requirement for future payments to these employees aggregates approximately \$525,000. The retirement program may be discontinued by the Company at any time without further contractual obligation to the Company; however, any rights which accrued to employees under the insured plan prior to such discontinuance would not be affected thereby.
- (7) The Company, according to the plan set forth in the Prospectus, proposes to issue and sell \$14,213,200 par value of New Preferred Stock (as to which 568,528 shares of Common Stock will be reserved for issuance upon conversion), the proceeds of which will be applied toward payment of the costs of completing major construction projects. The Company intends to charge against earned surplus the expense arising from the issuance and sale of the New Preferred Stock.
- (8) The Company has recently, as more fully set forth in the Prospectus, entered into agreements relative to (i) the exchange between the Company and Indiana & Michigan Electric Company (a non-affiliated company) of certain electric utility properties and (ii) the sale by the Company to The Ohio Power Company (a non-affiliated company) of the outstanding stock of Union City Electric Company, all of which stock is now owned by the Company and is carried in its investment account at \$89,943. The estimated aggregate original cost of electric property to be transferred and acquired was \$813,308 and \$937,561 respectively, as of July 31, 1948. Under said agreements the Company is to receive, in addition to the physical properties acquired, an aggregate of \$529,000 in cash (subject to certain adjustments provided for in said agreements). The Company, upon consummation of the above transactions, intends to credit to earned surplus approximately \$153,057 representing the excess of consideration to be received (\$294,000) for the Union City Electric Company common stock over carrying value (\$89,943) less estimated Federal income taxes (\$51,000) applicable thereto. The Company also proposes to credit to Reserve for Depreciation the excess (approximately \$359,000) resulting from the exchange of electric utility properties.
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PUBLIC SERVICE COMPANY OF INDIANA, INC.

STATEMENTS OF INCOME

	Year Ended December 31			Nine Months Ended Sept. 30, 1949 (Not Examined by Independent Public Accountants)
	1946	1947	1948	
OPERATING REVENUES:				
Electric	\$27,346,521	\$31,081,375	\$36,886,284	\$29,948,137
Heat	26,825	15,065	—	—
Total operating revenues	<u>\$27,373,346</u>	<u>\$31,096,440</u>	<u>\$36,886,284</u>	<u>\$29,948,137</u>
OPERATING EXPENSES AND TAXES (exclusive of Federal income taxes):				
Operation—				
Power purchased	\$ 1,261,635	\$ 1,625,684	\$ 2,804,130	\$ 1,485,625
General and administrative expenses	2,276,129	2,316,341	2,236,870	1,999,216
Other operation expenses	6,856,435	8,843,026	11,533,673	9,525,310
Total operation	<u>\$10,394,199</u>	<u>\$12,785,051</u>	<u>\$16,574,673</u>	<u>\$13,010,151</u>
Maintenance (Notes 2 and 3)	1,624,602	2,103,066	2,277,367	1,897,675
Provision for depreciation (Notes 2 and 3)	2,932,200	3,040,020	3,247,287	2,729,484
Provision for State, local and miscellaneous Federal taxes (Note 3)	2,207,484	2,741,800	2,985,033	2,493,006
	<u>\$17,158,485</u>	<u>\$20,669,937</u>	<u>\$25,084,360</u>	<u>\$20,130,316</u>
NET OPERATING INCOME (before provision for Federal income taxes)	<u>\$10,214,861</u>	<u>\$10,426,503</u>	<u>\$11,801,924</u>	<u>\$ 9,817,821</u>
OTHER INCOME:				
Dividends—				
On common stock of Indiana Gas & Water Company, Inc.	\$ 150,000	\$ 516,916	\$ 335,092	\$ 22,114
Other	10,762	10,512	10,712	62
Interest	29,665	25,273	88,043	127,183
Other income (net)	32,520	48,692	45,630	14,367
Total other income	<u>\$ 222,947</u>	<u>\$ 601,393</u>	<u>\$ 479,477</u>	<u>\$ 163,726</u>
GROSS INCOME (before provision for Federal in- come taxes)	<u>\$10,437,808</u>	<u>\$11,027,896</u>	<u>\$12,281,401</u>	<u>\$ 9,981,547</u>
INTEREST AND OTHER DEDUCTIONS:				
Interest on long-term debt	\$ 1,824,244	\$ 1,892,637	\$ 2,270,425	\$ 1,807,484
General interest (net)	6,963	32,958*	107,862*	84,815*
Amortization of debt discount, premium and expense (net)	363,137	274,460	1,253	9,494*
Miscellaneous income deductions	59,843	78,769	14,372	8,969
Total interest and other deductions	<u>\$ 2,254,187</u>	<u>\$ 2,212,908</u>	<u>\$ 2,178,188</u>	<u>\$ 1,722,144</u>
NET INCOME (before provision for Federal income taxes)	<u>\$ 8,183,621</u>	<u>\$ 8,814,988</u>	<u>\$10,103,213</u>	<u>\$ 8,259,403</u>
PROVISION FOR FEDERAL INCOME TAXES	<u>3,002,000</u>	<u>2,910,000</u>	<u>3,270,000</u>	<u>2,800,000</u>
NET INCOME	<u>\$ 5,181,621</u>	<u>\$ 5,904,988</u>	<u>\$ 6,833,213</u>	<u>\$ 5,459,403</u>

*Denotes red figure.

The accompanying notes are an integral part of these statements of income.

PUBLIC SERVICE COMPANY OF INDIANA, INC.

NOTES TO STATEMENTS OF INCOME

- (1) The sum of the profits of subsidiary companies not consolidated that was applicable to the Company and the dividends which were declared or paid by such subsidiaries on stocks held by the Company (See Note 2 to balance sheets), were as follows:

	Year Ended December 31			Nine Months Ended Sept. 30, 1949
	1946	1947	1948	
Sum of profits:				
Indiana Gas & Water Company, Inc.....	\$684,714	\$761,533	\$438,130	\$30,632
Union City Electric Company.....	11,828	12,890	16,774	14,732
Total.....	<u>\$696,542</u>	<u>\$774,423</u>	<u>\$454,904</u>	<u>\$45,364</u>
Dividends declared or paid:				
Indiana Gas & Water Company, Inc.....	\$150,000	\$516,916	\$335,092	\$22,114
Union City Electric Company.....	10,500	10,500	10,500	—
Total.....	<u>\$160,500</u>	<u>\$527,416</u>	<u>\$345,592</u>	<u>\$22,114</u>

- (2) During the three years and nine months ended September 30, 1949, the Company has provided for depreciation of utility plant in accordance with an order of the Securities and Exchange Commission dated September 5, 1945. Said order provides that there shall be charged against income as a provision for depreciation (in addition to amounts charged through clearing accounts) an amount not less than \$2,825,000 on an annual basis, plus $2\frac{3}{4}\%$ of the original cost of net additions to depreciable property from September 1, 1945 to the end of the calendar year immediately preceding the year in which such depreciation provision is made. In the opinion of the Company, the charges for depreciation for the three years and nine months ended September 30, 1949, and the accumulated depreciation reserve at that date, are adequate for the purpose of providing for the retirement of the cost of the properties over their estimated lives.

The Company has made no specific provision for depreciation and amortization of intangibles. The Company is, however, making provision by charges to earned surplus for the disposition of balances in the acquisition adjustment account (which includes tangibles as well as intangibles) during the period ending October 31, 1958.

In conformity with the Uniform Systems of Accounts prescribed by the regulatory commissions, the Company has charged to maintenance the cost of repairs (except for repairs to automobiles and other items customarily charged to clearing accounts) and the replacements of minor items of plant that are less than units of property. Replacements of units of property were recorded as capital transactions.

The original cost of property retired, less net salvage, was charged to reserve for depreciation. Under this method of accounting, which conforms to the generally recognized practice in the utility industry, the accumulated reserve for depreciation was not adjusted upon retirement of property.

(Continued on the following page)

PUBLIC SERVICE COMPANY OF INDIANA, INC.

NOTES TO STATEMENTS OF INCOME

- (3) The amounts of maintenance and the provisions for depreciation, other than those set forth in the statements of income, that have been charged to transportation and other clearing accounts and redistributed from these accounts, together with other charges, on the basis of automobile mileage, etc. are not significant in amount.

The following tabulation sets forth, for the periods indicated, the significant taxes, other than Federal income taxes. The amounts shown in this tabulation include taxes charged to various clearing accounts, etc., as well as the provisions set forth in the statements of income.

	Year Ended December 31			Nine Months Ended Sept. 30, 1949
	1946	1947	1948	
Real estate and personal property.....	\$1,445,900	\$1,897,350	\$2,064,489	\$1,735,000
Federal electrical energy.....	471,351	527,179	600,387	482,438
Indiana gross income.....	271,609	314,187	363,711	322,411
Social security.....	77,996	83,344	87,905	78,258
Miscellaneous.....	72,738	126,779	69,746	53,729
	<u>\$2,339,594</u>	<u>\$2,948,839</u>	<u>\$3,186,238</u>	<u>\$2,671,836</u>

No management or service contract fees were paid by the Company during the three years and nine months ended September 30, 1949.

Rents of buildings, etc., charged to various income and clearing accounts are not significant.

- (4) The Company, on November 25, 1949, consummated an exchange offer made to the shareholders of Southeastern Indiana Power Company. As of such date, the Company's investment in the preferred and common stocks of Southeastern represented 98.37% and 98.95% of respective totals outstanding. Based upon such percentages of ownership as of November 25, 1949, the Company's equity in the consolidated earnings of Southeastern and its wholly-owned subsidiary for the years 1946, 1947, 1948 and for the nine months ended September 30, 1949 would have been \$77,788, \$94,047, \$126,594 and \$104,840, respectively.

PUBLIC SERVICE COMPANY OF INDIANA, INC.
STATEMENTS OF EARNED SURPLUS

	Year Ended December 31			Nine Months Ended Sep- tember 30, 1949 (Not Examined by Independent Public Ac- countants)
	1946	1947	1948	
BALANCE AT BEGINNING OF PERIOD.....	\$1,869,530	\$2,983,453	\$ 3,191,481	\$ 6,941,534
ADDITIONS TO SURPLUS:				
Net income from statements of income.....	5,181,621	5,904,988	6,833,213	5,459,403
Excess provision for Federal income and excess pro- fits taxes for years 1941 to 1945, inclusive.....	—	1,105,695	—	—
Profit on sale of utility property.....	—	—	38,718	—
Excess of proceeds from sale of Indiana Gas & Water Company, Inc. common stock over carrying value (after deduction of \$60,650 for Federal income taxes applicable thereto).....	—	—	—	181,903
	<u>\$7,051,151</u>	<u>\$9,994,136</u>	<u>\$10,063,412</u>	<u>\$12,582,840</u>
DEDUCTIONS FROM SURPLUS OTHER THAN DIVIDENDS (Note 1):				
Appropriation to reserve for amortization of utility plant acquisition adjustments.....	\$ 387,102	\$ —	\$ —	\$ —
Write-off of utility plant acquisition adjustments.....	—	1,000,000	240	—
Write-down of investment in common stock of Indiana Gas & Water Company, Inc.....	215,364	1,608,436	—	—
Call premium and other costs in connection with refinancing of preferred stock.....	1,080,656	—	—	—
Write-off of unamortized debt discount, expense and call premium applicable to refunded issues.....	—	452,716	—	—
Loss on sale of non-utility property.....	—	59,524	—	—
Expenses in connection with common stock split.....	—	—	78,039	—
Write-off of unamortized balance of expense appli- cable to debentures converted into common stock or called for redemption, plus call premium.....	—	—	—	72,474
	<u>\$1,683,122</u>	<u>\$3,120,676</u>	<u>\$ 78,279</u>	<u>\$ 72,474</u>
DIVIDENDS (Note 2):				
	Amount per Share			
	Calendar Year			Nine Months Ended Septem- ber 30, 1949
	1946	1947	1948	
Preferred stock—				
5%.....	\$2.50	\$ —	\$ —	\$ —
3½%.....	2.32	3.50	3.50	2.62
Common stock	.80	1.42	1.10	1.10
	<u>263,446</u>	<u>348,687</u>	<u>525,026</u>	<u>525,026</u>
	<u>1,772,443</u>	<u>3,156,953</u>	<u>2,518,573</u>	<u>393,768</u>
	<u>\$4,067,698</u>	<u>\$6,802,655</u>	<u>\$ 3,121,878</u>	<u>\$ 2,930,125</u>
BALANCE AT CLOSE OF PERIOD (\$754,571 at September 30, 1949 restricted by indenture provisions as to dividends on common stock).....	<u>\$2,983,453</u>	<u>\$3,191,481</u>	<u>\$ 6,941,534</u>	<u>\$ 9,186,473</u>
The accompanying notes are an integral part of these statements of earned surplus.				

PUBLIC SERVICE COMPANY OF INDIANA, INC.
STATEMENTS OF EARNED SURPLUS

NOTES:

- (1) During the 15-year period ending October 31, 1958, the Company is amortizing the balance of \$8,448,460 established in Plant Acquisition Adjustments (Account No. 100.5) as a result of its original cost study completed in 1943. Such disposition is being made by charges to surplus account pursuant to orders of the Federal Power Commission and Public Service Commission of Indiana. Due to the acceleration of such write-offs, the balance in said account was reduced to \$3,311,507 at the end of 1947, and no write-offs of such initial balance were made during the year 1948 or during the nine months ended September 30, 1949. However, beginning with the month of October 1949, the Company intends to resume its amortization program and will write off the remaining balance in Plant Acquisition Adjustments at the rate of \$365,400 annually. In addition, the Company, in compliance with the order of the Public Service Commission of Indiana, will charge to earned surplus, following the liquidation of Southeastern Indiana Power Company, the excess (estimated at \$800,000 at September 30, 1949) of the cost to the Company of the Southeastern property over the original cost of such property.
- (2) Dividends shown were cash dividends with the exception of dividends on Common Stock in 1947, 1948 and the first quarter of 1949, which consisted of the distribution of stock of Indiana Gas & Water Company, Inc. (See Note 2 to balance sheets). The dividends shown per share of Common Stock are after giving effect for all periods to the 2 for 1 split which occurred on November 1, 1948.

PURCHASERS

On November 29, 1949, the Company invited, by newspaper publication, bids for the underwriting of the New Preferred Stock. The Purchasers named below submitted the bid providing the Company with the Highest Net Proceeds (as defined in the Statement of Terms and Conditions Relating to Bids for Underwriting) for the New Preferred Stock. The Company accepted such bid on December 1, 1949, and entered into a Purchase Agreement with the Purchasers with respect to the Unsubscribed New Preferred Stock. The names and addresses of the several Purchasers and the percentages of the Unsubscribed New Preferred Stock agreed to be purchased by them, respectively, subject to the terms and conditions of the Purchase Agreement, are as follows:

<u>Name</u>	<u>Address</u>	<u>Percentage</u>
Blyth & Co., Inc.	14 Wall Street, New York 5, N. Y.	12.55
Kidder, Peabody & Co.	17 Wall Street, New York 5, N. Y.	7.35
Smith, Barney & Co.	14 Wall Street, New York 5, N. Y.	7.35
Dean Witter & Co.	45 Montgomery Street, San Francisco 6, Calif.	7.35
A. C. Allyn and Company, Incorporated	100 West Monroe Street, Chicago 3, Ill.	5.10
A. G. Becker & Co. Incorporated	120 South La Salle Street, Chicago 3, Ill.	5.10
Central Republic Company (Incorporated)	209 South La Salle Street, Chicago 90, Ill.	5.10
Spencer Trask & Co.	25 Broad Street, New York 4, N. Y.	5.10
Harris, Hall & Company (Incorporated)	111 West Monroe Street, Chicago 3, Ill.	3.50
Bacon, Whipple & Co.	135 South La Salle Street, Chicago 3, Ill.	2.80
Bateman, Eichler & Co.	453 South Spring Street, Los Angeles 13, Calif.	2.80
Blunt Ellis & Simmons	208 South La Salle Street, Chicago 4, Ill.	2.80
Elworthy & Co.	111 Sutter Street, San Francisco 4, Calif.	2.80
The Milwaukee Company	207 East Michigan Street, Milwaukee 2, Wisc.	2.80
William R. Staats Co.	640 South Spring Street, Los Angeles 14, Calif.	2.80
Stroud & Company, Incorporated	123 South Broad Street, Philadelphia 9, Pa.	2.80
Whiting, Weeks & Stubbs	53 State Street, Boston 9, Mass.	2.80
Brush, Slocumb & Co.	1 Montgomery Street, San Francisco 4, Calif.	1.50
City Securities Corporation	417 Circle Tower, Indianapolis 4, Ind.	1.50
Farwell, Chapman & Co.	208 South La Salle Street, Chicago 4, Ill.	1.50
J. J. B. Hilliard & Son	419 West Jefferson Street, Louisville 2, Ky.	1.50
Indianapolis Bond and Share Corporation	129 East Market Street, Indianapolis 6, Ind.	1.50
Kebbon, McCormick & Co.	231 South La Salle Street, Chicago 4, Ill.	1.50
Kiser, Cohn & Shumaker, Inc.	220 Circle Tower, Indianapolis 4, Ind.	1.50
Lester & Co.	621 South Spring Street, Los Angeles 14, Calif.	1.50
Schwabacher & Co.	600 Market Street, San Francisco 4, Calif.	1.50
Sutro & Co.	407 Montgomery Street, San Francisco 4, Calif.	1.50

<u>Name</u>	<u>Address</u>	<u>Percentage</u>
First California Company	300 Montgomery Street, San Francisco 20, Calif.	1.00
Irving Lundborg & Co.	486 California Street, San Francisco 4, Calif.	1.00
Mackall & Coe	1002 Woodward Building, Washington 5, D. C.	.70
Shuman, Agnew & Co.	155 Sansome Street, San Francisco 4, Calif.	.70
Sweney Cartwright & Co.	Huntington Bank Building, Columbus 15, Ohio	.70
		<u>Total 100.00</u>

None of the above Purchasers is affiliated with the Company.

There is no firm commitment for the purchase of the Unsubscribed New Preferred Stock. By the Purchase Agreement, and subject to its terms and conditions, the Company has agreed to sell to the respective Purchasers, and the Purchasers, severally and not jointly, have agreed to purchase from the Company, the respective percentages of the Unsubscribed New Preferred Stock shown above (subject to adjustments, if necessary, to avoid the issuance of fractional shares, provided that the total of such adjusted percentages shall equal 100% of the Unsubscribed New Preferred Stock), at the price set forth under the heading "Price to Public" on the cover page of this Prospectus, plus accrued dividends from December 1, 1949, to the date of delivery and payment, and the Purchasers are to receive from the Company, as compensation for their underwriting of the New Preferred Stock, a lump sum payment of \$561,421.

The Purchase Agreement contains certain representations by the Company as to the accuracy of the Registration Statement (as amended by the Post-Effective Amendment) and certain other matters, and provides that the several obligations of the Purchasers thereunder are subject to the performance by the Company of its obligations thereunder, to the approval by counsel of the validity of the New Preferred Stock and certain other legal matters referred to in the Purchase Agreement and to certain further conditions, including the following: (a) that, at or before 9:00 P.M., Central Standard Time, on the second business day after the date of the Purchase Agreement, or at such later day as the Representative under the Purchase Agreement may consent to, the Post-Effective Amendment shall have become effective, and no stop order shall have been issued or proceedings therefor initiated or threatened prior to the time of the delivery of and payment for the Unsubscribed New Preferred Stock, (b) that concurrently with the delivery of and payment for the Unsubscribed New Preferred Stock, such Representative shall have received an Officers' Certificate from the Company to the effect that certain specified changes in the Company's business, properties and financial condition have not occurred, (c) that no order of any State or Federal regulatory body issued after the date of such Purchase Agreement shall contain any conditions, provisions or restrictions which are unduly burdensome to the Company in the opinion of the Representative under such Purchase Agreement, and (d) that certain other steps to be taken prior to or concurrently with the issue and delivery of the Unsubscribed New Preferred Stock shall have been taken at or before the time of delivery of and payment for the Unsubscribed New Preferred Stock.

By the provisions of the Purchase Agreement, the obligation of the Company to deliver the New Preferred Stock will be subject to conditions similar to certain of those above summarized.

In the Purchase Agreement the Company agrees to indemnify and hold harmless each Purchaser and each person, if any, who controls any Purchaser, against any and all losses, claims, damages or liabilities arising under the Securities Act of 1933, as amended, caused by any alleged untrue statement of a material fact contained in the Registration Statement or Prospectus (if used within one year after the effective date of the Post-Effective Amendment) or caused by any alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except in so far as such losses, claims, damages or liabilities are caused by any such alleged untrue statement or omission based upon information furnished in writing to the Company by any Purchaser expressly for use therein; and each Purchaser

agrees similarly to indemnify and hold harmless the Company with respect to any alleged untrue statement or omission based upon information furnished in writing to the Company by such Purchaser expressly for use in the Registration Statement or Prospectus.

The Purchase Agreement contains provisions with respect to the rights of the Company and the Purchasers thereunder in case of default by any one or more of such Purchasers and the method of exercising such rights, and with respect to the disposition of the deposit required to be made with the bid of such Purchasers. The Purchase Agreement also provides that the Company shall bear certain expenses in connection with the issuance, sale and delivery of the New Preferred Stock, including all fees and expenses of preparing and filing the Registration Statement, the Post-Effective Amendment, including the final Prospectus, and the fees and disbursements of Messrs. Sidley, Austin, Burgess & Harper, who are acting as counsel on behalf of the several Purchasers and the subscribing shareholders. The Purchase Agreement contains provisions with regard to the qualification of the New Preferred Stock for offer and sale under the securities or Blue Sky laws of such States as the Representative may reasonably designate within 6 months after the date of the Purchase Agreement and the payment by the Company of filing fees and expenses in connection therewith in an amount not exceeding \$2,000. The Purchase Agreement provides that, if any of the Purchasers thereunder shall fail or refuse to purchase and pay for the New Preferred Stock to be purchased by it thereunder and the Representative shall not procure some one or more of the remaining Purchasers or another party or parties to purchase or agree to purchase such New Preferred Stock within 24 hours after receipt of notice of such failure or refusal, then the Company shall have the right for an additional 24 hours to procure another party or parties to purchase such New Preferred Stock on the terms set forth in the Purchase Agreement and that, if no such arrangements are made within said periods for the purchase of such New Preferred Stock, such Purchase Agreement shall terminate.

There is no agreement by the Company not to sell securities of the same class as the New Preferred Stock or any other securities during the period of distribution.

The foregoing consists in part of brief summaries of certain provisions set forth in or provided for by the Purchase Agreement, a copy of the form of which is filed as an exhibit to the Registration Statement, and such summaries do not purport to be complete. Reference is made to such exhibit for a full and complete statement of each and all of the provisions of such agreement; and the foregoing summaries of certain of the provisions thereof are qualified in their entirety by such reference.

OFFERING BY PURCHASERS

The Company has been advised by the several Purchasers through Blyth & Co., Inc. as their representative (hereinafter called the "Representative") as follows:

Prior to expiration of the Warrants, the Representative is authorized by each Purchaser, at any time and from time to time, (a) to buy and sell Warrants in the over-the-counter market or otherwise, on such terms and at such prices as the Representative may determine, and to exercise or determine not to exercise any Warrants so purchased, and (b) to offer and sell shares of New Preferred Stock, either firm or subject to prior subscription, on a when-issued basis or otherwise, for long account to the extent of any New Preferred Stock purchased for the accounts of the several Purchasers under any provision of the Agreement Among Underwriters, or for short account in anticipation of the purchase of Unsubscribed New Preferred Stock by or for the accounts of the several Purchasers, by public offering, at private sale, or otherwise, on such terms and at such prices (subject to the limitations stated below) as the Representative may determine, and on such offerings and sales to dealers who are members of the National Association of Securities Dealers, Inc. at a concession not in excess of \$2.00 per share, it being understood that all such transactions shall be made for the accounts of the several Purchasers as nearly as practicable in proportion to their respective underwriting commitments. Prior to the expiration of the Warrants no shares of New Preferred Stock are to be sold at a price less than the subscription price to shareholders (less, in the case of sales to dealers, the dealers' concession) or at a price in excess of the price at which shares of New Preferred Stock are currently being offered to the public by

other dealers in the over-the-counter market, in any case plus accrued dividends from December 1, 1949. No such price shall be varied more than once in any 24-hour period except to be reduced.

Each Purchaser has agreed that during the term of the Agreement Among Underwriters, such Purchaser will not for its own account buy or sell any Warrants, New Preferred Stock or Common Stock other than as permitted by the Agreement Among Underwriters, except that it is not prohibited from (a) selling any shares of the Company owned beneficially on the date of the Agreement Among Underwriters, (b) selling Warrants in respect of any Common Stock so owned, (c) exercising such Warrants, (d) selling New Preferred Stock subscribed for pursuant to such Warrants, and (e) buying or selling Warrants, New Preferred Stock or Common Stock as a broker pursuant to unsolicited orders.

After expiration of the Warrants, the Representative is authorized to determine in its discretion whether a general public offering shall be made of the Unsubscribed New Preferred Stock or to sell all or any part of such stock for the account of each Purchaser at private sale or otherwise, in each case at such price or prices as the Representative may determine, but not less than the subscription price except with the approval of a majority in interest of the Purchasers, including the Representative. In the event of a general public offering as aforesaid, each Purchaser has authorized the Representative to reserve for sale and to sell for its account such part of the Unsubscribed New Preferred Stock of such Purchaser as the Representative shall determine (a) to retail purchasers at the public offering price, and (b) to dealers who are members of the National Association of Securities Dealers, Inc. (hereinafter called "Selected Dealers"), among whom may be included any of the Purchasers, at the public offering price less a selling concession determined by the Representative in the manner provided in the Agreement Among Underwriters. Such sales to Selected Dealers may be made under an appropriate form of selling agreement, or without such agreement, as the Representative may determine. The several Purchasers and the Selected Dealers, on a sale of any of the Unsubscribed New Preferred Stock to any other dealer or broker who is a member of the National Association of Securities Dealers, Inc., may realow a discount not in excess of the amount determined by the Representative in the manner provided in the Agreement Among Underwriters. Any of the several Purchasers may make purchases and sales of Unsubscribed New Preferred Stock from or to any other Purchaser at the public offering price less a concession not exceeding the Selected Dealers' selling concession and any of the several Purchasers, acting through the Representative, may make purchases and sales of Unsubscribed New Preferred Stock from or to another Purchaser at the public offering price less a concession equivalent to all or any part of the gross compensation per share paid by the Company under the Purchase Agreement.

The details with respect to the time and manner of offering of the Unsubscribed New Preferred Stock after the expiration of the Warrants, the offering price thereof, the concession, if any, to dealers and the allowance, if any, will be furnished to the Company for inclusion in a supplement to this Prospectus.

Each Purchaser has agreed to advise the Representative, from time to time upon request during the term of the Agreement Among Underwriters, of the amount of its shares of Unsubscribed New Preferred Stock not then reserved by the Representative remaining unsold; and upon request to sell to the Representative for the accounts of one or more of the several Purchasers, such amount of its unsold and unreserved shares as the Representative may designate at the public offering price less an amount determined by the Representative but not exceeding the Selected Dealers' selling concession.

In order to facilitate the distribution of the New Preferred Stock, the Representative is authorized by each Purchaser, at any time after 11:00 A.M., Central Standard Time, on December 1, 1949, and during the term of the Agreement Among Underwriters, or for such longer period as may be necessary to cover any short position incurred under this authority, in the discretion of the Representative and without obligating it to do so, to make purchases and sales of the New Preferred Stock in the over-the-counter market or otherwise, on a when-issued basis or otherwise, for either long or short account, on such terms and at such prices as the Representative may determine, and in arranging for sales to over-allot for the account of each Purchaser and to cover such over-allotments, *provided* that at no time shall the net commitment of any Purchaser, either

The Muter Company

(an Illinois Corporation)

Common Stock

(Par Value 50¢ Per Share)

Prepared by the Company

for

Midwest Stock Exchange

THE LIBRARY OF THE

MAR 29 1951

UNIVERSITY OF ILLINOIS

The Muter Company has made application to list 296,000 shares of said Common Stock, 50¢ par value, on Midwest Stock Exchange. Said application was approved by the Executive Committee of Midwest Stock Exchange on December 28, 1949.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

The Muter Company

(an Illinois Corporation)

Common Stock

(Par Value 50¢ Per Share)

The Muter Company has made application to list 296,000 shares of its Common Stock, 50¢ par value, on Midwest Stock Exchange. Said application was approved by the Executive Committee of Midwest Stock Exchange on December 28, 1949.

CAPITALIZATION

	Authorized	Outstanding
The Capitalization of the Company as of December 28, 1949 was as follows:		
Common Stock, par value 50¢ per share	325,000 shs.	296,000 shs.

DESCRIPTION OF COMMON STOCK

Dividend Rights: The holders of the Common Stock have the right to receive such dividends as the Board of Directors may declare out of the net earnings or surplus profits whenever the Board deems such action expedient.

Voting Rights: Holders of Common Stock are entitled to one vote for each share held, with the right of cumulative voting in the election of directors.

Liquidation Rights: Holders of Common Stock participate ratably in the distribution of the Company's assets upon liquidation.

Preemptive Rights: The holders of the Common Stock have no preemptive, subscription or conversion rights. The Common Stock is fully paid for and non-assessable.

HISTORY AND BUSINESS

The Company, whose principal executive offices are located at 1255 South Michigan Avenue, Chicago 5, Illinois, was incorporated under the laws of the State of Illinois on September 28, 1929, under the name of "Compo Mfg. Co." The corporate title was changed to "The Muter Company" on December 12, 1930.

On September 21, 1945, the Company acquired a wholly owned subsidiary, The Rola Company, Inc., of Cleveland, Ohio, which in turn has a wholly owned subsidiary, The Rola Company, also of Cleveland, Ohio. On November 15, 1948, the Company acquired an additional wholly owned subsidiary, Jensen Manufacturing Company, of Chicago, Illinois.

The Company manufactures and sells to many radio and television set manufacturers in the United States and Canada one or more of the following products: "Candohm" wire-wound resistors, variable resistors, push-button switches, slide switches, spring assemblies, intermediate frequency transformers, choke coils, trimmer condensers, ceramic condensers, speakers and antenna loops. It also manufactures Christmas tree outfits for chain stores and mail order houses, as well as distributes General Electric Mazda decorative Christmas tree lights to those customers.

The Company sells its products directly to manufacturers of complete radio and television sets. Its principal customers are as follows:

Admiral Corporation	Packard-Bell Company
Aircraft Products Company	Philco Corporation
Aircraft Radio Corporation	Radio Corporation of America
Belmont Radio Corporation	The Rauland Corporation
Colonial Radio Corporation	Raytheon Mfg. Corporation
The Crosley Corporation	S. S. Kresge Company
Delco Radio Division	Submarine Signal Company
Emerson Radio & Phonograph Corp.	Sylvania Electric Products, Inc.
Galvin Mfg. Company	Traveler Karenola Radio & Tele. Corp.
General Electric Company	Wells-Gardner & Company
General Radio Company	Western Electric Company, Inc.
The Hallicrafters Company	Westinghouse Electric & Mfg. Co.
International Detrola Corp.	Zenith Radio Corporation
Noblitt-Sparks Industries, Inc.	

The Company purchases its raw materials from the usual trade channels and fabricates these materials into completed units. These materials are wire, steel, bronze, bakelite, tin and others.

The Company intends to continue in the business outlined above and to develop and manufacture additional radio and television parts for sale to radio and television set manufacturers, as such items become known, or as items still in the development stage become ready for manufacture. It also intends to develop and manufacture additional items and to sell same to jobbers, chain stores and mail order houses, and will not necessarily confine its activities in this respect to the radio and electrical fields.

During the past fiscal year, the Company completed arrangements for the manufacture by it of a 40 million electron volt Betatron machine for the Michael Reese Hospital, Chicago, Illinois. This machine was developed to obtain greater energy for deeper penetration than is possible with X-rays as presently used in hospitals. The processes and principles of this machine are owned and controlled by General Electric Company, which has granted a license to the Company to manufacture and sell such machines, providing that a royalty be paid by the users thereof to said General Electric Company. The cost of this machine is to be equally divided between Michael Reese Hospital and the Company. The manufacture of this initial machine is an experiment. If it is successful, the Company intends to manufacture other such machines for sale at a profit to similar users.

The Company's subsidiary, The Rola Company, Inc., manufactures and sells transformers and loudspeakers to the same trade as does its parent. The Rola Company, subsidiary of The Rola Company, Inc., holds title to certain machinery and equipment which it leases to its parent and has no other activities.

The Company's other subsidiary, Jensen Manufacturing Company, manufactures and sells loudspeakers and closely related products for use in public address systems, theatre and motion picture equipment and intercommunication equipment, and radio and television receivers.

Sales of the Company and its subsidiaries to the television industry have increased substantially during the past two years.

The Company's consolidated net sales, after discounts, returns and allowances, for the four years and eleven months ended November 30, 1949 are as follows:

1945	\$2,254,313.71
1946	5,603,287.70
1947	7,089,914.78
1948	6,310,123.70
1949 (To November 30)	6,979,339.28*

* Company figures, unaudited.

PROPERTY

The Company's general offices and manufacturing plant are located at 1255 South Michigan Avenue, being at the north-east corner of South Michigan Avenue and Thirteenth Street, Chicago 5, Illinois, and consists of a modern three-story and basement building, with a floor area of approximately 50,000 square feet. This building is of steel and concrete construction, about 40 years old, and was erected on a foundation to carry four additional floors. The original plans were for a building of seven stories and basement. The premises are owned in fee simple by the Company, title thereto having been acquired by purchase on November 30, 1938. In addition to the above, the Company purchased the now vacant and unimproved property known as Nos. 1243, 1245 and 1247 South Michigan Avenue, Chicago 5, Illinois, and is the owner of said premises in fee simple. Said premises comprise a tract of land 75 feet in width by 130 feet in depth, fronting west on South Michigan Avenue and abutting an 18-foot alley at the east end thereof, and are available for projected expansion of the business of the Company.

The Company's subsidiary, The Rola Company, Inc., occupies under a lease expiring December 31, 1952, 80,000 square feet on the 1st, 2nd, 3rd, 4th and 6th floors of the Artcraft Building at 2530 East Superior Street, Cleveland, Ohio. The Artcraft Building is 7 stories, containing 275,000 square feet on property 271' x 150' of fireproof concrete construction with automatic sprinkler system. An additional 10,000 square feet of storage space is leased on a year-to-year basis at 23rd and Superior Streets, Cleveland, Ohio.

The office and plant of the Company's other subsidiary, Jensen Manufacturing Company, are located at 6601 South Laramie Avenue, being at the southeast corner of South Laramie Avenue and Sixty-sixth Street, Chicago, Illinois, and consists of a modern one story building, with a floor area of approximately 90,000 square feet. This building is of brick, mill-type construction, except for one all-steel warehouse unit and one all-steel laboratory unit, and is about 20 years old. All units are integral, except for a separate fire-proof building for storing highly inflammable materials. All areas are equipped with a sprinkler system. The premises are owned in fee simple by Jensen Manufacturing Company, title thereto having been acquired by purchase on July 1, 1946.

The machinery and equipment in the Company's plants, all of which are owned by the Company or its subsidiaries, are in first class condition.

MANAGEMENT AND CONTROL

The names and addresses of all of the directors and officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Leslie F. Muter	1255 S. Michigan Avenue, Chicago 5, Illinois	President, Treasurer and Director
A. A. Dailey	1255 S. Michigan Avenue, Chicago 5, Illinois	Vice President, Secretary and Director
Karl E. Rollefson	1255 S. Michigan Avenue, Chicago 5, Illinois	Vice President, Assistant Secretary and Director
Fred B. Stevens	1255 S. Michigan Avenue, Chicago 5, Illinois	Vice President and Director
Forrest Laidley	231 South La Salle Street, Chicago 4, Illinois	Director

DIVIDENDS ON COMMON STOCK

The Company has paid an annual dividend in each of the past 16 consecutive years. For the five years ended December 31, 1949, the dollar amounts of dividends paid on the Company's Common Stock and the amounts per share in terms of the number of shares at the time outstanding were as follows:

<u>Year Ended Dec. 31</u>	<u>Dividend Date</u>	<u>Total Cash Dividends Paid</u>	<u>Amount Per Share on Shares Then Outstanding</u>
1945	Dec. 31	\$ 61,250.00	\$0.25
1946	Dec. 31	122,500.00	0.50
1947	Dec. 31	150,000.00	0.60
1948	Dec. 31	177,600.00	0.60
1949	Dec. 31	177,600.00	0.60

FINANCIAL STATEMENTS

Financial statements and notes are furnished as follows:

- Certificate of Independent Public Accountants.
- Balance sheet as of December 31, 1948 with explanatory notes.
- Profit and Loss Statement ended December 31, 1948.
- Statement of surplus ended December 31, 1948.

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
THE MUTER COMPANY,
Chicago, Illinois.

We have examined the Consolidated Balance Sheet of THE MUTER COMPANY and its wholly-owned subsidiaries, THE ROLA COMPANY, INC., THE ROLA COMPANY, and JENSEN MANUFACTURING COMPANY, as at December 31, 1948 and the related statements of Consolidated Profit and Loss and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and the statements of Consolidated Profit and Loss and Surplus present fairly the financial position of The Muter Company and its wholly-owned subsidiaries at December 31, 1948 and the result of their operations for the year then ended (including that of Jensen Manufacturing Company, a wholly-owned subsidiary from date of acquisition, November 15, 1948), in conformity with generally accepted accounting principles on a basis consistent with that of the preceding year.

WM. W. THOMPSON & Co.,
Certified Public Accountants.

Chicago, Illinois
March 31, 1949.

THE MUTER COMPANY
and its Wholly-Owned Subsidiaries
THE ROLA COMPANY, INC., THE ROLA COMPANY, AND
JENSEN MANUFACTURING COMPANY

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1948

ASSETS

CURRENT ASSETS:

Cash—		
Cash on Hand	\$ 1,667.00	
Cash in Banks (No Restrictions)	753,865.33	
Total Cash		\$ 755,532.33
Accounts Receivable—		
Customers	\$ 630,075.48	
Other	14,403.83	
Total	\$ 644,479.31	
Less:—Reserve for Doubtful Accounts and Cash Discounts	53,576.90	
Accounts Receivable—Net		590,902.41
Inventories—(At Cost or Market whichever is lower—First-in—First-out)		
Raw Materials	\$ 820,145.26	
Work in Process	213,204.71	
Finished Stock	142,173.50	
Manufacturing Supplies	23,798.17	
Total Inventories		1,199,321.64
Total Current Assets		\$ 2,545,756.38

CASH DEPOSITED ON APPEAL BOND (Note No. 1)	135,000.00
CASH SURRENDER VALUE OF OFFICER'S LIFE INSURANCE	11,545.91

FIXED ASSETS: (At Cost)

Land, Buildings, Machinery and Equipment (Note No. 2)	\$ 1,025,281.94
Less:—Reserve for Depreciation	407,901.64
Fixed Assets—Net	617,380.30

INTANGIBLE ASSETS:

Good Will (Note No. 3)	\$ 68,521.20
Patents and Patent Rights	5,055.54
Total	\$ 73,576.74
Less:—Reserve for Amortization	3,740.48
Intangible Assets—Net	69,836.26

PREPAID EXPENSES:

Unexpired Insurance	\$ 8,339.61
Small Tools	3,000.00
Office Supplies	9,991.36
Prepaid Rent, Taxes, etc.	2,294.14
Advertising Supplies and Prepaid Advertising Expense	10,079.57
Development Expense	14,781.86
Patent Expense applicable to Future Operations	6,981.60
Leasehold Improvements—Less Amortization	7,461.51
Total Prepaid Expenses	62,929.65

TOTAL ASSETS	\$ 3,442,448.50
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LIABILITIES

CURRENT LIABILITIES:

Notes Payable—(1949 Installment on Long Term Notes)	
Banks	\$ 38,000.00
Insurance Company	50,000.00
Accounts Payable—Trade	190,154.73
Customers' Deposit and Credit Balances	16,767.99
Federal Income Tax—Current Year	290,125.01
Federal Income and Excess Profits Taxes—For Prior Years—Estimated Net	42,832.69
Employees' Savings Bond Deductions and Benefit Fund	6,818.74
Accruals—	
Payrolls and Commissions	104,466.30
Payroll and Withholding Taxes	56,261.95
Real Estate, Personal Property Taxes, etc.	17,060.30
Other Expenses	33,781.62
Total Current Liabilities	\$ 846,269.33

JUDGMENT RENDERED RE: STANLEY O. LAWRENCE SUIT (Note No. 1)	135,000.00
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LONG TERM LIABILITIES—NOTES PAYABLE:

Bank—First Mortgage 4% dated Sept. 11, 1946, Due \$8,000.00 yearly, in semi-annual installments to March 11, 1956 and \$44,000.00 on Sept. 11, 1956 (Note No. 2)	\$ 104,000.00
Insurance Company—Unsecured Notes 4% dated Sept. 1, 1948, due \$50,000.00 yearly on Sept. 1st until paid (Note No. 4)	500,000.00
Banks—Unsecured Notes—3¾% dated Dec. 30, 1947, due \$30,000.00 yearly in quarterly installments until paid (Note No. 5)	180,000.00
Total	\$ 784,000.00
Less:—Installments due in 1949 shown under Current Liabilities	88,000.00
Long Term Liabilities—Net	696,000.00

CAPITAL STOCK AND SURPLUS:

Capital Stock—Common—	
Authorized 325,000 Shares Par Value 50 Cents	\$ 162,500.00
Unissued 29,000 Shares	14,500.00
Issued 296,000 Shares	\$ 148,000.00
Surplus—	
Earned	\$ 797,802.78
Capital	819,376.39
Total Surplus	\$ 1,617,179.17
Total Capital Stock and Surplus	1,765,179.17

TOTAL LIABILITIES	\$ 3,442,448.50
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The accompanying notes are an integral part of the above statement.

NOTES ATTACHED TO AND MADE AN INTEGRAL PART OF BALANCE SHEET

AS AT DECEMBER 31, 1948

- (1) On June 26, 1947 in the District Court of the United States for the Northern District of Illinois, Eastern Division, a judgment was rendered in favor of Stanley O. Lawrence in the amount of \$128,438.33. An appeal was taken from this judgment to the United States Circuit Court of Appeals for the Seventh Circuit and cash in the amount of \$135,000.00 was deposited on the Appeal Bond. The Circuit Court of Appeals on November 12, 1948 reversed the judgment of the District Court and rehearing was denied on January 4, 1949. (Counsel advises that a petition for certiorari was filed in the Supreme Court of the United States on April 1, 1949 which is pending.) Counsel for The Muter Company and Mr. Leslie F. Muter have been and still are of the opinion that the claims of Stanley O. Lawrence are without merit.

NOTE: The above-mentioned petition for certiorari was denied by the Supreme Court of the United States on May 16, 1949, and the liability on the aforesaid judgment of the District Court of the United States was thereby extinguished. The \$135,000.00 reserved to cover such liability has since been transferred to earned surplus.

- (2) The land and building owned by Jensen Manufacturing Company, located at 6601 South Laramie Avenue, Chicago, Illinois, with a book value of \$160,153.98 at December 31, 1948, are pledged as collateral to the First Mortgage Installment Note Payable to the First National Bank of Chicago, with an unpaid balance at December 31, 1948 of \$104,000.00.
- (3) Good Will of \$80,612.11 was recorded in the books of Jensen Manufacturing Company in 1928 representing the excess of the stated value assigned to shares of the Company's former no par value stock issued in exchange for the net assets of Jensen Radio Mfg. Co., a partnership, over the value of the net tangible assets acquired therefor. In 1946 the Board of Directors authorized the write-off of the Good Will Account over a period of twenty years. Earned Surplus was charged \$4,030.60, representing the 1948 write-off, leaving a balance of \$68,520.20 in the Good Will Account at December 31, 1948.
- (4) Unsecured Installment Notes of The Muter Company, dated September 1, 1948, payable to the Provident Mutual Life Insurance Company of Philadelphia, provide among other things, unless written consent is otherwise secured from the holders of notes, that: (1) The aggregate of all indebtedness for borrowed money at any time outstanding shall not exceed \$900,000.00; (2) The Company will not sell assets in excess of \$20,000.00 in any one transaction or in excess of \$30,000.00 in any consecutive twelve (12) month period; (3) Subsidiaries shall not be permitted to increase their indebtedness for borrowed capital; (4) All dividend payments, distributions to stockholders and acquisitions of its shares of stock, can only be made from consolidated net earnings of The Muter Company and its subsidiaries accumulated subsequent to December 31, 1947 after all serial payments and all prepayments out of net income required to be made on principal of the notes have been considered; (5) The Company will maintain net current assets of not less than \$1,100,000.00. The notes further provide that on September 1, 1950 and on September 1 of each year thereafter until paid in full there shall be applied to the prepayment of the notes in the inverse order of their maturities an amount equal to 20% of the amount by which the consolidated net income of the preceding calendar year exceeds the total payments on the principal of the notes having a stated maturity during such preceding year.
- (5) Certain of the provisions of the unsecured installment notes of Jensen Manufacturing Company, dated December 30, 1947 and payable to the First National Bank of Chicago and the State Bank of Clearing, provide among other things, that: (1) The Company will maintain net current assets of not less than \$350,000.00; (2) Except with the consent in writing of the holders of these notes, the Company will not (a) declare or pay any dividends except out of net earnings subsequent to December 31, 1947; (b) purchase, redeem, or otherwise acquire or retire any of its capital stock of any class; (c) acquire fixed assets (applies to Land and Buildings only) in any calendar year in excess of \$25,000.00 aggregate amount, and (d) make loans or advances to its officers and employees in excess of \$5,000.00 at any one time outstanding.

THE MUTER COMPANY
and its Wholly-Owned Subsidiaries

**THE ROLA COMPANY, INC., THE ROLA COMPANY, AND
JENSEN MANUFACTURING COMPANY**

**CONSOLIDATED PROFIT AND LOSS STATEMENT
(INCLUDES JENSEN MANUFACTURING COMPANY FROM
DATE OF ACQUISITION, NOVEMBER 15, 1948)
FOR THE YEAR ENDED DECEMBER 31, 1948**

NET SALES (Less Returns and Allowances and Discounts)	\$ 6,310,123.70	
COST OF SALES	5,218,154.94	
GROSS PROFIT ON SALES		\$ 1,091,968.76
OPERATING EXPENSES:		
Selling Expenses—		
Sales Commissions and Expenses	\$ 104,817.26	
Advertising	8,707.86	
Other Selling Expenses	97,810.91	
Total Selling Expenses	\$ 211,336.03	
General and Administrative Expenses—		
General Office Expenses	\$ 144,861.73	
Administrative Expenses including Professional Services and Patent Expenses	77,542.64	
Sundry General and Administrative Expenses	6,674.22	
Total General and Administrative Expenses	\$ 229,078.59	
Provision for Doubtful Accounts	10,686.62	
Total Selling, General and Administrative Expenses		451,101.24
NET PROFIT FROM OPERATIONS		\$ 640,867.52
OTHER INCOME:		
Scrap Sales	\$ 7,642.67	
Miscellaneous	7,939.16	
Total Other Income		15,581.83
Total		\$ 656,449.35
INCOME DEDUCTIONS:		
Legal and Professional Services—Stanley O. Lawrence Matter	\$ 11,986.53	
Officer's Life Insurance Premium—Net	9,181.69	
Interest Paid	6,710.82	
Miscellaneous	10,310.00	
Total Income Deductions		38,189.04
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAX		\$ 618,260.31
PROVISION FOR FEDERAL INCOME TAX		236,847.21
NET INCOME AFTER PROVISION FOR FEDERAL INCOME TAX		\$ 381,413.10
ADD: Portion of Legal Fees and Other Expenses for 1948 re: Stanley O. Lawrence suit transferred to Reserve for Contingencies to absorb unused balance		7,770.64
NET INCOME CARRIED TO SURPLUS ACCOUNT		\$ 389,183.74

THE MUTER COMPANY
and its Wholly-Owned Subsidiaries

**THE ROLA COMPANY, INC., THE ROLA COMPANY, AND
JENSEN MANUFACTURING COMPANY**

**CONSOLIDATED SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1948**

	S u r p l u s		
	Earned	Capital	Combined
BALANCE, DECEMBER 31, 1947	\$ 597,552.05	\$ 311,975.83	\$ 909,527.88
ADD:			
Consolidated Net Income for the year ended December 31, 1948	\$ 389,183.74	—	389,183.74
Revenue Agent's Adjustments on Examination of Federal Tax Returns to December 31, 1946 of The Muter Company and giving effect to similar adjustments for 1947	3,650.32	—	3,650.32
Amount Realized in excess of Par Value on 46,000 shares of Common Stock issued in connection with the acquisition of Jensen Manufacturing Company Stock on November 15, 1948	—	379,500.00	379,500.00
Capital Stock and Surplus of Jensen Manufacturing Company on November 15, 1948 in Excess of Purchase Price	—	139,217.55	139,217.55
Total Additions	\$ 392,834.06	518,717.55	911,551.61
Total	\$ 990,386.11	830,693.38	1,821,079.49
DEDUCT:			
Dividend of 60 Cents per Share declared and paid in 1948	\$ 177,600.00	—	177,600.00
Amortization of Good Will of Jensen Manufacturing Company applicable to period November 15, to December 31, 1948	506.58	—	506.58
Good Will paid when stock of The Rola Company, Inc. was acquired in 1945, charged off Fees paid in connection with acquisition of Capital Stock of Jensen Manufacturing Company and cost of additional stock listing on New York Curb Exchange	14,476.75	—	14,476.75
Total Deductions	\$ 192,583.33	11,316.99	203,900.32
BALANCE, DECEMBER 31, 1948	\$ 797,802.78	\$ 819,376.39	\$ 1,617,179.17

AGREEMENTS

The Company has agreed with Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the Company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned Company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the Company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application, on another national securities exchange.

Nothing in these agreements shall obligate the Company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the Company.

OPINION OF COUNSEL

Mr. Thomas G. Vent, of the firm of Vent & Vent, One North La Salle Street, Chicago 2, Illinois, counsel for the Company, has rendered an opinion to Midwest Stock Exchange to the effect that The Muter Company has been legally and validly organized and is presently in existence; that the authorized capital stock of the Company consists of 325,000 common capital shares of a par value of 50¢ each, of which 296,000 shares are validly and legally issued and outstanding and are fully paid and non-assessable; that with respect to 133,000 of such issued and outstanding shares, full compliance with the provisions of the Securities Act of 1933 was had; and that with respect to the remaining 163,000 of such issued and outstanding shares, compliance with the Securities Act of 1933 is not necessary because the issuance and sale of none of such shares involved a public offering within the meaning of that Act.

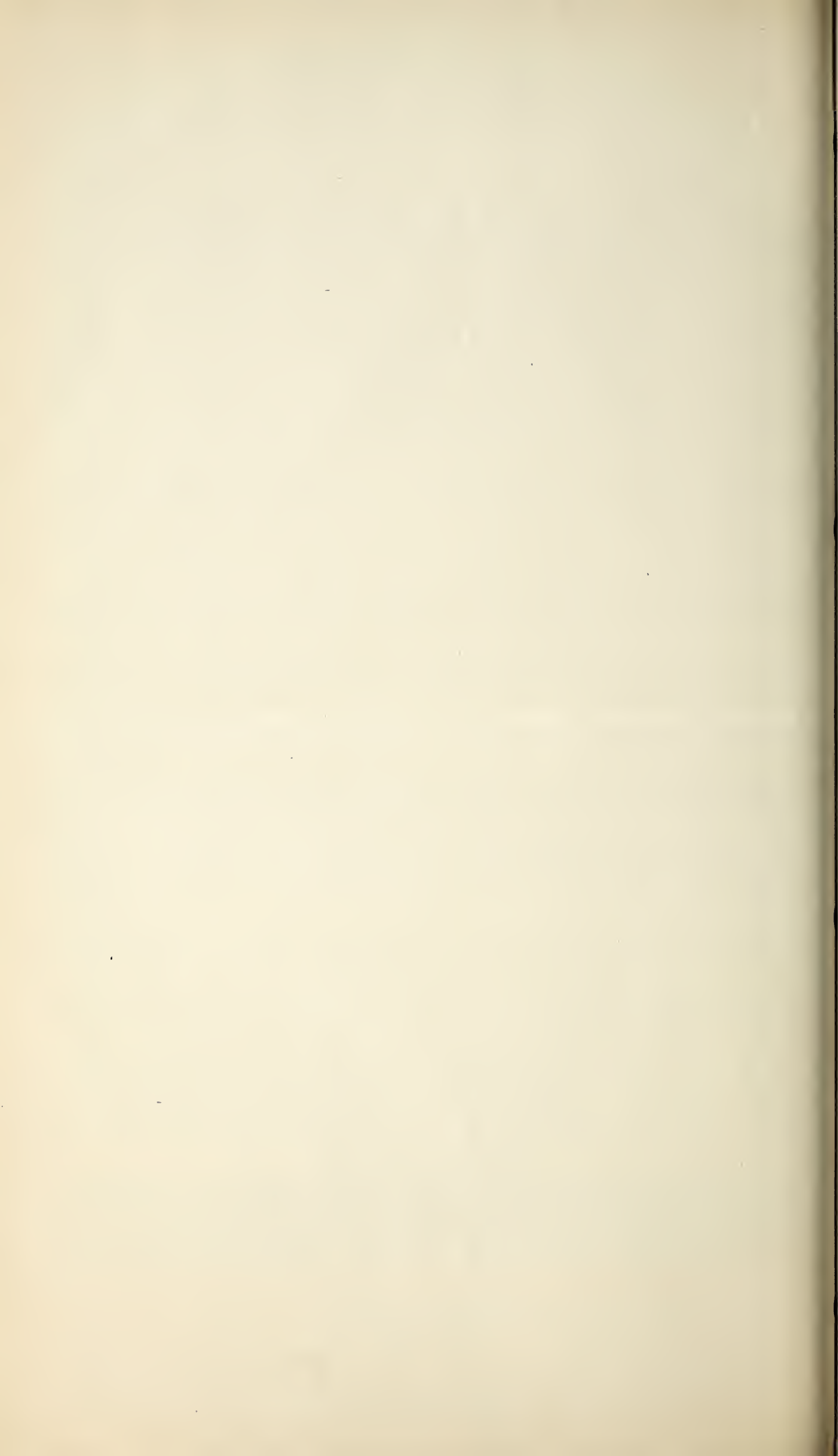
GENERAL INFORMATION

Transfer Agent: Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois.

Registrar: The First National Bank of Chicago, Chicago, Illinois.

The fiscal year of the Company ends December 31st.

The annual meeting of the stockholders of the Company is held on the third Tuesday of April in each year. The Company offices are located at 1255 South Michigan Avenue, Chicago 5, Illinois.



Centlivre Brewing Corporation

(An Indiana Corporation)

Common Stock

(50¢ Par Value)

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Prepared by the Company

for

Midwest Stock Exchange

Centlivre Brewing Corporation made application to list 369,878 shares of its common stock, 50¢ par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on December 8, 1949.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Centlivre Brewing Corporation

(An Indiana Corporation)

Common Stock

(50¢ Par Value)

Centlivre Brewing Corporation, an Indiana corporation (hereinafter sometimes called the "Company") made application to list 369,878 shares of its common stock, 50¢ par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on December 8, 1949.

CAPITALIZATION

The capitalization of the Company is as follows:

	<u>Authorized</u>	<u>Outstanding</u>
Common shares, par value 50¢ per share.....	500,000	369,878

SALE OF SECURITIES

On July 17, 1933, the Company registered with the Securities and Exchange Commission for sale of Class A common stock of the corporation which was sold to the public for \$2.50 per share, the proceeds of which sale, to the extent of \$2.12½ per share, were received by the Company. Said stock carried conversion privileges and thereafter all of said stock so sold, denominated as Class A stock, was redeemed by the corporation except such stock as was converted. The original stock held by the stockholders of the Centlivre Brewing Corporation at the time of conversion was increased by the shares converted until upon the full redemption or conversion of Class B stock there was issued and outstanding 369,878 shares of the common stock of the corporation, and no increase or additional sale of stock has been made.

DESCRIPTION OF STOCK

Dividend Rights:

Holders of the common stock are entitled to receive such dividends as may be declared by the Board of Directors of the Company. There are no indentures or other agreements limiting the payment of dividends.

Voting Rights:

Holders of the common shares are vested with the entire voting rights, or entitled to one vote for each share at all meetings of shareholders, and none of said shares of stock possess cumulative voting privileges for the election of directors of the Company, or for any other purpose. There is no other stock of any kind issued and outstanding.

Liquidation and Other Rights:

The holders of the common stock will be entitled to share ratably in all of the assets of the Company available for distribution to its shareholders according to the number of common shares held by them respectively, in the event of any liquidation, dissolution or winding up of the Company or any sale of all or substantially all of its assets. Holders of common shares are not entitled to preemptive or subscription rights in respect to any future issue of securities of the Company. Common shares are not subject to redemption. The common shares now outstanding are fully paid and non-assessable.

HISTORY AND BUSINESS

In 1862 Mr. Charles L. Centlivre, the founder of the industry, established a brewery in Fort Wayne, Indiana. In 1895 the business was incorporated under the name of C. L. Centlivre Brewing Company, and as such continued in business until the advent of prohibition, at which time the company ceased the brewing business and engaged in the manufacture of ice, and in the business of cold storage, until the repeal of National Prohibition, at which time the Company reorganized under the Acts of the General Assembly of the State of Indiana under the name of Centlivre Brewing Corporation, and has been in business continuously since 1933 in the manufacture and sale of beer and ale.

With the exception of the period during which the manufacture and sale of beer was unlawful, the corporation and its predecessor have been in continuous operation in the manufacture of beer since the date of the founding of the business in 1862.

The principal office of the Company is located at 2501-2513 Spy Run Avenue, Fort Wayne, Indiana.

Business:

The Company's business is the manufacture and sale of beer and ale under the trade-mark name of "Old Crown", and its product is distributed throughout the states of Indiana, Michigan, Ohio, and has been to a limited extent sold in Kentucky, Illinois and West Virginia.

Property:

The operations of the Company are carried on solely in its place of business in the city of Fort Wayne. Since the Company has been in business it has engaged in a large amount of construction and rehabilitation work in connection with the carrying on of its business, and the greater part of the cost of said expansion, rehabilitation and modernization of its plant has been accomplished by the application of earnings of the corporation; no part of said rehabilitation work since its initial rehabilitation prior to its resumption of the brewing business has been accomplished by any outside capital or financing, the earnings of the Company being used for said purpose other than that disbursed in dividends. The appraisal of the Company's lands, buildings, machinery and equipment made by W. F. McConnell and Company, and certified by them in July of 1949, specifies the fair market value in July of 1949 as follows:

Buildings and Construction	\$1,129,052.00
Machinery and Equipment	817,716.00
Office Furniture and Laboratory Equipment	25,146.00
Motor Vehicles	43,585.00

making a grand total of said assets as fixed by said appraisement of July, 1949, of \$2,015,499.00. There are no liens of any kind or character against any of said property, except only current taxes not delinquent. The value at which said assets, appraised as aforesaid, are carried on the books of the Company, as of September 30, 1949, is \$1,064,877.24.

SUMMARY OF SALES AND EARNINGS

The following is a condensed summary of the earnings of Centlivre Brewing Corporation for the calendar years 1944 to 1948 inclusive, as audited by Edward Gore & Co. There is likewise tabulated following the earnings of the Company for the nine months ending September 30, 1949, which figures for the nine months ending September 30, 1949, were prepared by the Company and are unaudited.

SUMMARY OF SALES AND EARNINGS

FIVE YEARS AND NINE MONTHS ENDED SEPTEMBER 30, 1949

Year ended December 31	Net sales	Net profit before provision for federal income tax	Provision for federal income tax	Net profit	Net profit per share
1944	\$2,830,229.26	\$377,342.59	\$269,962.20	\$107,380.39	29¢
1945	3,103,509.90	369,419.07	250,000.00	119,419.07	32¢
1946	3,218,029.31	361,848.19	147,000.00	214,848.19	58¢
1947	4,233,237.88	465,160.28	182,000.00	283,160.28	76¢
1948	4,599,414.21	475,116.61	191,000.00	284,116.61	77¢
1949*	3,585,323.50	466,157.69	179,110.00	287,047.69	78¢

*Unaudited for the nine months ended September 30, 1949.

Dividend policy for past five years

1944	15¢	Per share
1945	10¢	Per share
1946	20¢	Per share
1947	22¢	Per share
1948	20¢	Per share
1949	20¢	Per share

MANAGEMENT AND CONTROL

The names and addresses of the officers and directors of the Company are as follows:

Name	Office	Address
Charles J. Reuss	President, General Manager and Director	1619 Forest Park Blvd., Fort Wayne 3, Ind.
John L. Reuss	Treasurer, Sales Manager and Director	2430 Fairfield Avenue, Fort Wayne 6, Ind.
Herman G. Centlivre	Secretary, Advertising Manager and Director	2708 Eastbrook Drive, Fort Wayne, Indiana
Frank Kloer	Vice-President, In Charge of Production, and Director	2121 Florida Drive, Fort Wayne 3, Ind.
Frank N. Centlivre	Vice-President and Director	2417 Spy Run Avenue, Fort Wayne 3, Ind.
J. Ross McCulloch	Director	334 East Berry St., Fort Wayne 2, Ind.
Clyde W. Reed	Director	4419 Indiana Avenue, Fort Wayne 6, Ind.

FINANCIAL STATEMENTS

Financial statements are furnished as follows:

- (a) Accountants' Certificate.
- (b) Balance sheet as of December 31, 1948.
- (c) Consolidated statements of profit and loss and earned surplus for the years 1946, 1947 and 1948.
- (d) Unaudited balance sheet and profit and loss statement for the nine months ending September 30, 1949.

CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Centlivre Brewing Corporation
Fort Wayne, Indiana

Gentlemen:

We have examined the balance sheet of Centlivre Brewing Corporation, Fort Wayne, Indiana as of December 31, 1948 and the related statements of income and surplus for the three years ended December 31, 1946, 1947 and 1948. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus fairly present the financial position of the Company at December 31, 1948, and the results of its operations for the years ended December 31, 1946, 1947 and 1948, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDWARD GORE & CO.
Certified Public Accountants

Fort Wayne, Indiana
January 9, 1950

CENTLIVRE BREWING CORPORATION

BALANCE SHEET AS OF DECEMBER 31, 1948 AND SEPTEMBER 30, 1949

A S S E T S

	December 31, 1948	Unaudited September 30, 1949
CURRENT ASSETS:		
Cash in banks and on hand	\$ 248,586.00	\$ 367,648.52
Marketable securities—cost	477,862.08	342,862.08
Accounts receivable—including purchase claims	\$ 73,142.13	\$ 69,909.17
Less reserve for uncollectible accounts	37,537.89	37,537.89
Inventories at the lower of cost or market	283,540.31	348,968.68
Cash surrender value of life insurance	26,250.00	29,075.00
Notes receivable	2,041.48	1,913.04
Interest receivable accrued	230.98	—
Total Current Assets	\$1,074,115.09	\$1,122,838.60
FIXED ASSETS:		
Buildings, machinery and equipment	\$1,248,659.70	\$1,492,902.91
Less reserve for depreciation	412,170.45	450,833.88
Estimated cost to complete and equip facilities in process of construction (Note 1)	\$ 836,489.25	\$1,042,069.03
Land	264,000.00	—
	22,808.21	22,808.21
DEFERRED AND PREPAID ITEMS	39,466.43	52,732.04
OTHER ASSETS	12,609.43	12,987.51
	\$2,249,488.41	\$2,253,435.39

L I A B I L I T I E S

	December 31, 1948	Unaudited September 30, 1949
CURRENT LIABILITIES:		
Note payable—bank—current installment (Note 2)	\$ 40,000.00	\$ 40,000.00
Accounts payable:		
Trade	\$ 24,117.18	\$ 33,324.44
Employees deposits for United States Savings Bonds	750.02	604.71
Withholding tax	4,786.70	4,206.30
Dividends payable	—	36,987.80
Estimated liability to complete and equip facilities in process of construction (Note 1)	264,000.00	—
Accrued liabilities:		
Salaries and wages	\$ 8,873.90	\$ 6,644.80
State and county taxes	31,367.16	39,878.28
Federal income—estimated	194,069.93	229,770.21
Other federal taxes	3,226.30	4,747.24
Total current liability exclusive of liability for customers' deposits on containers	\$ 571,191.19	\$ 396,163.78
Liability for customers' deposits on containers	137,409.20	143,311.50
Total Current Liabilities	\$ 708,600.39	\$ 539,475.28
LONG-TERM DEBT:		
Note payable—bank (Note 2)	\$ 200,000.00	\$ 160,000.00
Less current installment	40,000.00	40,000.00
CAPITAL STOCK AND SURPLUS:		
Common stock authorized—500,000 shares of 50¢ par value	\$ 250,000.00	\$ 250,000.00
Less unissued 130,122 shares	65,061.00	65,061.00
Issued and outstanding 369,878 shares	\$ 184,939.00	\$ 184,939.00
SURPLUS—Earned and paid in	1,195,949.02	1,409,021.11
	\$2,249,488.41	\$2,253,435.39

NOTE 1—The estimated liability to complete and equip facilities in process of construction is based on contracts with construction companies and suppliers.

NOTE 2—\$40,000.00 due March 31, 1949 and annually thereafter.

CENTLIVRE BREWING CORPORATION

PROFIT AND LOSS ACCOUNT

Three years and nine months ended September 30, 1949

	Year ended December 31			Unaudited nine months ended September 30, 1949
	1946	1947	1948	
NET SALES	\$3,218,029.31	\$4,233,237.88	\$4,599,414.21	\$3,585,323.50
COST OF SALES	2,496,870.65	3,343,846.53	3,645,658.67	2,671,308.38
GROSS PROFIT	\$ 721,158.66	\$ 889,391.35	\$ 953,755.54	\$ 914,015.12
SELLING, DELIVERY, SHIPPING AND GENERAL AND ADMINISTRATIVE EXPENSES	347,953.16	437,409.19	471,327.35	449,884.40
OPERATING PROFIT	\$ 373,205.50	\$ 451,982.16	\$ 482,428.19	\$ 464,130.72
MISCELLANEOUS INCOME	23,141.00	16,787.17	26,419.62	8,009.51
MISCELLANEOUS DEDUCTIONS	\$ 396,346.50	\$ 468,769.33	\$ 508,847.81	\$ 472,140.23
	34,498.31	3,609.05	16,902.62	5,982.54
CONSTRUCTION EXPENSES:	\$ 361,848.19	\$ 465,160.28	\$ 491,945.19	\$ 466,157.69
Cost of temporary structures and demolition of old structures in connection with construction work in progress	—	—	16,828.58	—
Net profit before provision for federal income tax	\$ 361,848.19	\$ 465,160.28	\$ 475,116.61	\$ 466,157.69
PROVISION FOR FEDERAL INCOME TAX	147,000.00	182,000.00	191,000.00	179,110.00
NET PROFIT	\$ 214,848.19	\$ 283,160.28	\$ 284,116.61	\$ 287,047.69

CENTLIVRE BREWING CORPORATION

SURPLUS ACCOUNT

Three years and nine months ended September 30, 1949

	Year ended December 31			Unaudited nine months ended September 30, 1949
	1946	1947	1948	
PAID-IN SURPLUS	\$ 212,366.13	\$ 212,366.13	\$ 212,366.13	\$ 212,366.13
EARNED SURPLUS:				
Balance beginning of period	\$ 430,782.17	\$ 571,654.76	\$ 773,441.88	\$ 983,582.89
Add net profit	214,848.19	283,160.28	284,116.61	287,047.69
	\$ 645,630.36	\$ 854,815.04	\$ 1,057,558.49	\$ 1,270,630.58
Deduct dividends paid or payable	73,975.60	81,373.16	73,975.60	73,975.60
	\$ 571,654.76	\$ 773,441.88	\$ 983,582.89	\$ 1,196,654.98
TOTAL SURPLUS	\$ 784,020.89	\$ 985,806.01	\$ 1,195,949.02	\$ 1,409,021.11

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago, within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange, except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said city. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for the listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

Mr. William G. Keane, Esq., Peoples Trust Building, Fort Wayne, Indiana, has rendered an opinion to the Midwest Stock Exchange to the effect that the Centlivre Brewing Corporation is a corporation duly organized and existing under the laws of the State of Indiana, and that the authorized capital stock of the Company consists of 500,000 shares of common stock of the par value of 50¢ per share, of which 369,878 shares are outstanding, all of which have been validly issued and are fully paid and non-assessable.

GENERAL INFORMATION

Transfer Agent: The City National Bank & Trust Company of Chicago, Chicago, Illinois.

Registrar: Harris Trust and Savings Bank, Chicago, Illinois.

The fiscal year of the Company ends December 31.

The annual meeting of the stockholders of the Company is held on the fourth Tuesday in March of each year, at the hour of 2:00 P.M. where designated.

Kropp Forge Company

(An Illinois Corporation)

Common Stock

(Par Value $33\frac{1}{3}\phi$ Per Share)

Prepared by the Company

for

Midwest Stock Exchange

THE LIBRARY OF THE
MAR 29 1951
UNIVERSITY OF ILLINOIS

Kropp Forge Company has made application to list 786,276 shares of the Common Stock of the par value of $33\frac{1}{3}\phi$ per share on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on December 28, 1949.

Kropp Forge Company

(An Illinois Corporation)

Common Stock

(Par Value 33⅓¢ Per Share)

Kropp Forge Company has made application to list 786,276 shares of its Common Stock, par value 33⅓¢ per share, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on December 28, 1949.

CAPITALIZATION

The capitalization of the Company as of July 31, 1949, was as follows:

Funded Debt

Sundry notes payable—\$18,261.39, \$2,462.16, and \$205.64 maturing during the years ended July 31, 1951, 1952, and 1953, respectively	\$ 20,929.19
First Mortgages payable—deferred maturities: (Note 2)	
4½% mortgage—\$10,000.00 maturing quarterly commencing August 15, 1950	228,402.38
4% mortgage—\$11,325.00 maturing quarterly commencing August 1, 1950	600,220.00
Total	\$849,551.57

Capital Stock

	Number of Shares Authorized	Number of Shares Outstanding
--	--------------------------------	---------------------------------

Common Stock, par value 33⅓¢ per share	1,500,000*	786,276
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*Of the unissued 713,724 shares of Common Stock, none is reserved for any purpose or purposes, and there are no contracts, options or agreements for the purchase or sale of any of said unissued stock.

DESCRIPTION OF COMMON STOCK

There are no preferences or priorities pertaining to the Common Stock of the Company. Each share is entitled to exercise one vote. All shares participate equally in dividends and in liquidation incident to dissolution. There are no provisions of indentures or other agreements restricting payments of dividends or affecting the voting rights of the Common Stock to the knowledge of the Company. The holders of the Common Stock enjoy preemptive rights to subscribe to additional stock issues under the law of the State of Illinois.

HISTORY AND BUSINESS

The first Kropp Forge Shop was established at Annefors, Sweden, in 1837, by the father of the founder of the present Kropp Forge Company. In 1901, Charles A. Kropp, founder of the present Kropp Forge Company, opened a job forging shop together with three other experienced forge men as partners. Shortly before World War I, Mr. Kropp bought out his partners and reorganized the company, changing the name to the Kropp Forge Company. The Company was incorporated under the laws of the State of Illinois, on February 17, 1912. Messrs. Roy A. Kropp and Raymond B. Kropp, officers of the present company, are sons of the founder Charles A. Kropp, who passed away in 1941.

The Company manufactures steel forgings, including drop, flat die and upset, and is considered the largest job forging plant in the world. The Company serves many leading corporations in the automotive, aviation, farm implement, machine tool, railroad, shipbuilding, construction and other industries. During the past year the Company began production of forgings for jet propulsion engines, requiring forgings of difficult design and unusual quality construction.

The sales of the Company's products are solicited through district sales or engineering offices in the United States, Canada and Europe. All sales are made direct from the Company to the customers. The total net sales of the Company's products for the past three years in dollar volume are as follows: Year ending July 31, 1947—\$4,948,842.32; year ending July 31, 1948—\$5,697,469.80; year ending July 31, 1949—\$6,354,723.87. Sales for the first quarter of the current year, due to the prolonged steel strike, have been less than in the first quarter of the year ending July 31, 1949. The Company cannot at this date accurately estimate whether its net sales for the current year will equal or exceed those for the year ending July 31, 1949.

PROPERTIES

The Company's plants, including the executive offices, are located at 5301 West Roosevelt Road, Cicero, Illinois, on 29¾ acres of land. The real estate and equipment of the Company is owned in fee subject to the existing mortgages as shown in the financial information supplied elsewhere in the listing circular. The title to the real estate is guaranteed by the title guaranty policy of the Chicago Title & Trust Company.

The Company has two plants: Its original plant located on 21 acres at the above address, and its aviation plant located on 8¾ acres, which was purchased from the War Assets Administration in 1948. This latter plant is located adjacent to the Company's original plant and was built by the Government and operated by the Company during the War. The latter property is subject to the usual security clause inserted by the Reconstruction Finance Corporation on the sale of the plant to the Company providing that in case of emergency the Government, at any time during twenty years, may activate a dormant estate and use the plant for production of war materials.

There are 16 buildings located on the Company's property at Cicero, Illinois, some of which are joined together or are contiguous for economy of operation. The buildings located on the Company's original plant property are of structural steel with sheet metal siding and asbestos roofing. The buildings of the aviation company are of brick construction with wood trusses and asbestos roofing. The general offices are of brick and stone construction. The buildings on the Company's plants embody approximately 247,293 square feet.

The Company's plants are served by 9 overhead traveling cranes and there are switch track facilities brought into the plant. There are 34 steam hammers ranging from 1,000-pound to 20,000-pound type and 5 board hammers ranging from 1,000-pound to 2,500-pound type, and a wide variety of forging equipment.

The Company's facilities include a modern machine shop adequately equipped, die-making facilities, laboratory facilities, and an engineering department. Steam is furnished by the Company's own power plant. Electric power is purchased from public service companies and a plentiful supply for all possible requirements is available. From

time to time necessary improvements have been added to the machinery and other manufacturing facilities of the Company, so that the existing plants are completely modernized and in such practical condition that efficient production has been obtained.

The productive capacity of the Company's plants are not governed by set standards, as the Company produces to individual customers' requirements, and such requirements vary greatly in tonnage and sales value.

The Company's subsidiary, A. C. Woods & Company, is located at 1129 Harrison Avenue, Rockford, Illinois, on approximately 5 acres of land, and the fee to the property is in the subsidiary. Its plant consists of one large shop building of brick and steel with metal siding and a small brick office building. The plant is served by several overhead traveling cranes and has a wide variety of structural steel equipment tools. The offices of the plant are located on the subsidiary property. The total square foot area of the plant and offices embody approximately 35,000 square feet. This subsidiary employs 60 employees.

SUBSIDIARY AND AFFILIATED COMPANIES

The Company owns all of the issued and outstanding capital stock of Kropp Forge Aviation Company, an Illinois corporation. Said subsidiary Company is inactive and is kept alive primarily for the purpose of retaining the corporate name of a predecessor company of the same name which operated during the war.

On October 20, 1949, the Company purchased all the issued and outstanding capital stock of A. C. Woods & Company, an Illinois corporation. Said company's business is that of designers and manufacturers of structural steel products for construction and industrial uses such as floor and roof trusses, joints and beams, mining structures, bins, hoppers, industrial craneways, and oil field equipment. It also produces weldments for machine and pump bases, tanks, furnace shells, cabinets, smoke stacks, incendiary heat treating equipment, and are custom fabricators of steel to customer specifications.

The said subsidiary has an authorized issuance of 2,500 shares of stock having a par value of \$30 per share. There is issued and outstanding 2,017 of such shares which are all owned by Kropp Forge Company.

MANAGEMENT AND CONTROL

The names and addresses of all of the officers and directors of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Roy A. Kropp	Kropp Forge Company, 5301 West Roosevelt Road, Cicero, Illinois	Chairman, Director and President
Raymond B. Kropp	Kropp Forge Company, 5301 West Roosevelt Road, Cicero, Illinois	Director, Executive Vice President and Treasurer
Raymond T. O'Keefe, Jr.	Kropp Forge Company, 5301 West Roosevelt Road, Cicero, Illinois	Director and Vice President
James E. Sweeney	Kropp Forge Company, 5301 West Roosevelt Road, Cicero, Illinois	Director and Vice President
Charles F. Johnson	Kropp Forge Company, 5301 West Roosevelt Road, Cicero, Illinois	Secretary
Victor Brown	Kropp Forge Company, 5301 West Roosevelt Road, Cicero, Illinois	Director
E. Perry Holder	230 Park Avenue, New York, N. Y.	Director
Leo T. Norville	105 West Adams Street, Chicago, Illinois	Director

DIVIDEND RECORD

From 1939 to and including 1946 the Company has paid cash dividends on its Common Stock as follows:

<u>Year</u>	<u>Aggregate Amount</u>
1939	None
1940	\$45,210.00
1941	27,342.00
1942	45,570.00
1943	45,570.00
1944	45,570.00
1945	None
1946	None

For the last three years the Company has paid dividends in the following amounts:

<u>Year</u>	<u>Dividend Per Share on Common Stock</u>	<u>Date of Payment</u>	<u>Aggregate Amount</u>
1947	.10	July 19	\$78,627.60
1948	.10	June 29	78,627.60
1949	.10	July 14	78,627.60

FINANCIAL STATEMENTS

Financial statements, notes and supporting data are furnished as follows:

- Accountant's Certificate
- Balance Sheet, July 31, 1949
- Statement of Income for the three years ending July 31, 1949
- Statement of Surplus for the three years ending July 31, 1949
- Notes to Financial Statements for the three years ended July 31, 1949
- Certificate of Chief Accounting Officer of Kropp Forge Company
- Consolidated Balance Sheet of Kropp Forge Company and subsidiary—A. C. Woods & Company as of October 31, 1949
- Summary of Net Income and Surplus of Kropp Forge Company
- Notes to Financial Statements of Kropp Forge Company for the three months ended October 31, 1949

CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Kropp Forge Company:

We have examined the balance sheet of KROPP FORGE COMPANY as of July 31, 1949, the related statements of income and surplus for the three years then ended, and the schedules listed in the accompanying index, which you are filing as part of your Application for Registration (Form 10) to the Securities and Exchange Commission. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus, with their footnotes, present fairly the financial position of the Company at July 31, 1949 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and the schedules present fairly the required information.

HASKINS & SELLS.

Chicago,

December 2, 1949 as of September 15, 1949 except
for the matters covered in Notes 10 and 11 to the
Financial Statements.

KROPP FORGE COMPANY

BALANCE SHEET, JULY 31, 1949

A S S E T S			
CURRENT ASSETS:			
Cash on hand and in banks.....	\$ —		\$ 42,426.54
Accounts receivable:			
Customers	\$ 480,549.86		
Less reserves for doubtful accounts and sales returns—Schedule XII.....	25,412.28	\$ 455,137.58	
Others (including \$3,693.93 receivable from employees).....		70,999.59	526,137.17
Inventories—at lower of cost (first-in, first-out basis) or market:			
Raw materials	\$ 648,444.56		
Work in process.....	302,506.97		
Operating supplies and repair parts.....	138,924.74		1,089,876.27
Total current assets.....			\$1,658,439.98
INVESTMENTS:			
Capital stock of subsidiary not consolidated (Note 1).....	\$ 1,000.00		
Other (less reserve, \$809.35—Schedule XII)	1.00		
Total investments			1,001.00
OTHER ASSETS:			
Cash surrender value of life insurance on officers	\$ 44,768.18		
Notes receivable—Sundry (including \$10,473.98 receivable from employees).....	13,102.73		
Total other assets.....			57,870.91
PROPERTY, PLANT, AND EQUIPMENT—Schedule V (Note 2).....	\$3,311,598.06		
Less reserves for depreciation and amortization—Schedule VI.....	1,689,542.68		
Property, plant, and equipment, less reserves.....			1,622,055.38
PATENTS AND TRADE-MARKS—Nominal value—Schedule VII.....			1.00
PREPAID EXPENSES AND DEFERRED CHARGES:			
Unexpired portion of insurance premiums.....	\$ 70,102.57		
Mortgage loan expense—unamortized portion (Note 3).....	5,967.51		
Miscellaneous	5,229.92		
Total prepaid expenses and deferred charges.....			81,300.00
Total			<u>\$3,420,668.27</u>

L I A B I L I T I E S			
CURRENT LIABILITIES:			
Notes payable—Sundry	\$ 23,072.52		
First mortgage loans—current maturities.....	125,300.00		
Accounts payable	209,637.72		
Employees' income and social security taxes withheld.....	18,422.06		
Accrued taxes:			
Federal income (Note 4).....	\$ 241,861.84		
Real estate, personal property, etc.....	44,372.35		
Social security	7,634.26	293,868.45	
Other accrued accounts:			
Salaries, wages, and commissions	\$ 47,830.40		
Interest	9,822.83		
Contribution to employees' savings and profit-sharing fund.....	42,038.82		
Miscellaneous	7,565.99	107,258.04	
Total current liabilities.....			\$ 777,558.79
LONG-TERM DEBT—Schedule XV:			
Sundry notes payable—\$18,261.39, \$2,462.16, and \$205.64 maturing during the years ended July 31, 1951, 1952, and 1953, respectively.....	\$ 20,929.19		
First mortgages payable—deferred maturities (Note 2):			
4½% mortgage—\$10,000.00 maturing quarterly commencing August 15, 1950.....	228,402.38		
4% mortgage—\$11,325.00 maturing quarterly commencing August 1, 1950.....	600,220.00		
Total long-term debt			849,551.57
CAPITAL STOCK—Common—33⅓ cents par value—authorized, 1,500,000 shares; issued and outstanding, 786,276 shares—Schedule XIII.....			262,092.00
SURPLUS, PER ACCOMPANYING STATEMENT:			
Paid in	\$ 403,655.03		
Earned	1,127,810.88		
Total surplus			1,531,465.91
Total			<u>\$3,420,668.27</u>

The accompanying Notes to Financial Statements are an integral part of this balance sheet.

KROPP FORGE COMPANY
STATEMENT OF INCOME
FOR THE THREE YEARS ENDED JULY 31, 1949

	Year Ended July 31,		
	1947	1948	1949
NET SALES	\$4,948,842.32	\$5,697,469.80	\$6,354,723.87
COST OF SALES (Note 7):			
Cost of sales, exclusive of provisions for depreciation and amortization.....	\$4,049,274.38	\$4,788,574.89	\$5,025,572.79
Provision for depreciation (Note 8).....	39,115.92	43,043.89	89,817.22
Provision for amortization of leasehold improvements.....	9,994.49	10,460.84	—
Total	\$4,098,384.79	\$4,842,079.62	\$5,115,390.01
GROSS PROFIT FROM SALES.....	\$ 850,457.53	\$ 855,390.18	\$1,239,333.86
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:			
Selling, general, and administrative expenses, exclusive of provision for depreciation and doubtful accounts	\$ 563,679.88	\$ 658,112.56	\$ 746,656.65
Provision for depreciation (Note 8).....	3,972.41	4,571.64	5,699.16
Provision for doubtful accounts	—	10,000.00	5,000.00
Total	\$ 567,652.29	\$ 672,684.20	\$ 757,355.81
PROFIT FROM OPERATIONS	\$ 282,805.24	\$ 182,705.98	\$ 481,978.05
OTHER INCOME CREDITS:			
Reversal of reserve for loss on investments.....	\$ 2,500.00	\$ —	\$ —
Refund and adjustment of workmen's compensation insurance applicable to prior years.....	—	4,203.52	—
Miscellaneous—net	2,641.74	4,514.88	1,127.82
Total	\$ 5,141.74	\$ 8,718.40	\$ 1,127.82
Total	\$ 287,946.98	\$ 191,424.38	\$ 483,105.87
INCOME CHARGES:			
Interest:			
On long-term debt.....	\$ 6,040.89	\$ 19,661.49	\$ 43,643.34
Other	19,450.13	5,322.80	10,438.37
Amortization of mortgage loan expense (Note 3).....	422.13	1,767.94	1,602.82
Provision for contribution to employees' savings and profit-sharing fund.....	—	15,844.18	42,038.82
Net loss on sale of machinery and equipment.....	22.01	4,270.61	1,748.01
Loss on settlement of termination claims.....	—	7,244.89	—
Total	\$ 25,935.16	\$ 54,111.91	\$ 99,471.36
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES.....	\$ 262,011.82	\$ 137,312.47	\$ 383,634.51
PROVISION FOR FEDERAL INCOME TAXES.....	112,281.07	56,000.00	148,000.00
NET INCOME FOR THE YEAR.....	\$ 149,730.75	\$ 81,312.47	\$ 235,634.51

The accompanying Notes to Financial Statements are an integral part of this statement.

KROPP FORGE COMPANY
STATEMENT OF SURPLUS
FOR THE THREE YEARS ENDED JULY 31, 1949

	Year Ended July 31,		
	1947	1948	1949
PAID-IN SURPLUS			
BALANCE AT BEGINNING AND END OF THE YEAR.....	\$ 403,655.03	\$ 403,655.03	\$ 403,655.03
EARNED SURPLUS			
BALANCE AT BEGINNING OF THE YEAR	\$ 897,015.95	\$ 968,119.10	\$ 970,803.97
NET INCOME FROM STATEMENT OF INCOME.....	149,730.75	81,312.47	235,634.51
Total	\$1,046,746.70	\$1,049,431.57	\$1,206,438.48
CASH DIVIDENDS—Common stock (10¢ per share each year).....	78,627.60	78,627.60	78,627.60
BALANCE AT END OF THE YEAR.....	\$ 968,119.10	\$ 970,803.97	\$1,127,810.88

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED JULY 31, 1949

1. The wholly-owned subsidiary has not been consolidated herein as it is inactive and is not significant. The only effect of consolidation would be to eliminate the investment of \$1,000.00, included in the balance sheet, and, to increase cash in a like amount.

2. The Company acquired an adjacent aircraft forging plant during the year ended July 31, 1949 at a cost of \$783,242.90. This plant, having an aggregate gross book value of \$848,264.03 at July 31, 1949, is subject to the 4% first mortgage.

Land, buildings, and improvements of the Company's other plant, having an aggregate gross book value of \$449,978.28 at July 31, 1949, is subject to the 4½% first mortgage.

Certain machinery, having an aggregate gross book value of \$77,835.88, is subject to the sundry notes payable, having been acquired under conditional sales contracts.

3. Mortgage loan expense incurred in connection with the 4½% first mortgage is being amortized on the basis of the debt outstanding method.

4. Federal income tax returns of the Company for all years to and including the year ended December 31, 1943 have been examined by the Bureau of Internal Revenue and final settlements have been made. The examination of the returns for the period January 1, 1944 to July 31, 1947 resulted in additional taxes and interest thereon of approximately \$54,700 and \$36,800, respectively, for which provision has been made in the accounts. The returns for the years ended subsequent to July 31, 1947 have not been examined by the Bureau.

5. During the year ended July 31, 1949 the Company performed work under certain sales contracts and sub-contracts which are subject, wholly or in part, to existing Acts of Congress with respect to renegotiation and the limitation of profits. Such sales amounted to approximately 7% of the total net sales for the year ended July 31, 1949 and, in the opinion of the management, the profits realized thereon are fair and reasonable; therefore, no provision has been made in the Company's accounts for refund to the government.

6. The statements of income and surplus for the three years ended July 31, 1949 reflect certain adjustments applied retroactively to the accounts as follows:

(a) During the year ended July 31, 1949, the Company wrote off a reserve for contingencies amounting to \$96,000.00 by a credit to earned surplus. This reserve had been created by charges against income prior to August 1, 1946. In the accompanying statements this \$96,000.00 has been added retroactively to the August 1, 1946 earned surplus balance.

(b) The following items (representing adjustments of prior years' income) which the Company credited to earned surplus during the year ended July 31, 1947, have been added retroactively to the August 1, 1946 earned surplus balance in the accompanying statements:

Items capitalized during the year ended July 31, 1947 which had been charged to expense in prior years, less depreciation thereon to July 31, 1946.....	\$ 42,283.03
Reversal of portion of reserve for loss on contract termination claims	48,496.32
Reductions of accrual for additional Federal income and excess profits taxes and interest for prior years	16,976.87
Total	\$107,756.22

NOTES TO FINANCIAL STATEMENTS—Cont'd

(c) During the year ended July 31, 1949, the Company credited earned surplus with \$48,918.61 representing capitalization of items charged to expense in prior years plus a net adjustment of prior years' depreciation. In the accompanying statements, this amount has been credited retroactively to the applicable periods as follows:

Amount applicable to income prior to August 1, 1946—credited to August 1, 1946 earned surplus balance.....		\$50,212.53
Less amounts applicable to the years ended July 31, 1947 and 1948—charged against income for those years:		
1947	\$456.57	
1948	837.35	1,293.92
Net amount		<u>\$48,918.61</u>

(d) During the year ended July 31, 1949, the Company charged earned surplus with \$87,000.00 representing estimated additional Federal income taxes and interest thereon applicable to prior years. In the accompanying statements, this amount has been charged retroactively against the applicable periods as follows:

Amount applicable to income prior to August 1, 1946—charged against August 1, 1946 earned surplus balance	\$67,807.21
Amount applicable to income for the year ended July 31, 1947—charged against income for that year	14,744.99
Amount applicable to income for the year ended July 31, 1948—charged against income for that year	4,447.80
Total	<u>\$87,000.00</u>

The foregoing adjustments and their effect on earned surplus at August 1, 1946 and net income for the three years ended July 31, 1949 are summarized as follows:

	Earned Surplus, August 1, 1946	Net Income for the Year Ended July 31		
		1947	1948	1949
As per reports to stockholders	\$710,854.41	\$164,932.31	\$86,597.62	\$235,634.51
Adjustments, explained in foregoing:				
(a)	96,000.00			
(b)	107,756.22			
(c)	50,212.53	*456.57	*837.35	
(d)	*67,807.21	*14,744.99	*4,447.80	
Balances, as shown in accompanying statements	<u>\$897,015.95</u>	<u>\$149,730.75</u>	<u>\$81,312.47</u>	<u>\$235,634.51</u>

* Denotes red figure.

7. Cost of sales was charged with opening inventories and credited with closing inventories, on the basis of the valuation indicated in the balance sheet, as follows:

	Year Ended July 31		
	1947	1948	1949
Opening inventories:			
Raw materials	\$743,297.33	\$ 576,206.44	\$ 730,584.09
Work in process	141,605.86	283,248.10	241,906.63
Operating supplies and repair parts	75,785.77	92,150.24	119,032.22
Total	<u>\$960,688.96</u>	<u>\$ 951,604.78</u>	<u>\$1,091,522.94</u>
Closing inventories:			
Raw materials	\$576,206.44	\$ 730,584.09	\$ 648,444.56
Work in process	283,248.10	241,906.63	302,506.97
Operating supplies and repair parts	92,150.24	119,032.22	138,924.74
Total	<u>\$951,604.78</u>	<u>\$1,091,522.94</u>	<u>\$1,089,876.27</u>

8. It is the policy of the Company to provide for depreciation of buildings, equipment, machinery, etc. at rates designed to amortize the cost of the respective classes of property over their estimated service lives. Provisions for depreciation during the three years ended July 31, 1949 were computed at the following annual rates:

Buildings	2½ % and 5 %
Machine shop	2½ %
Power-house improvements	8-1/3 %
Equipment	5 %
Machinery	6½ %
Tools	16-2/3 %
Sprinkler and lunch-room equipment, land improvements, etc.	10 %
Automobiles and trucks	25 %
Office furniture and fixtures	<u>6-2/3 %</u>

It was the policy of the Company to amortize improvements to leased property at a rate designed to amortize the cost over the life of the lease which expired June 1, 1951. As of August 1, 1948 the Company purchased the leased property, and the unamortized portion of leasehold improvements as of that date, \$30,441.31, was transferred to the machinery and equipment account.

The practice of the Company, generally, in connection with accounting for maintenance, repairs, and renewals, is to charge expenditures of this nature directly to expenses. Only items which represent actual additions to property are capitalized. The Company does not have detailed records for property acquired prior to 1944. When property acquired in 1944 or subsequent thereto is retired either by sale or other disposition, the property account is credited for the full amount for which the item had been capitalized and the reserve for depreciation charged for any accumulated reserve; the difference, if any, is carried to profit and loss. When property acquired prior to 1944 is retired either by sale or other disposition, no entries are made to the property or reserve accounts; the proceeds received, if any, are carried to profit and loss.

9. See Schedule XVI for Supplementary Profit and Loss Information.

10. On October 20, 1949, the Company acquired the entire outstanding capital stock of A. C. Woods & Company at a cost of \$428,100.00. The purchase of this stock was financed principally by bank loans totalling \$300,000.00. The balance sheet of A. C. Woods & Company at October 31, 1949, prepared from unaudited statements of that company, is presented below:

ASSETS	
Current Assets:	
Cash	\$ 69,644.17
United States Treasury certificates	25,000.00
Receivables:	
Trade and sundry	78,802.01
Kropp Forge Company	137,304.16
Inventories	184,489.58
Total current assets	<u>\$495,239.92</u>
Fixed assets—Less reserve for depreciation, \$89,249.61	116,176.18
Prepaid expenses	2,069.60
Total	<u>\$613,485.70</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 10,306.68
Accrued taxes	75,270.75
Other accruals	21,215.12
Total current liabilities	<u>\$106,792.55</u>
Capital stock	60,510.00
Surplus:	
Paid in	\$ 15,212.56
Earned	430,970.59
Total surplus	<u>446,183.15</u>
Total	<u>\$613,485.70</u>

The investment in and the total assets (exclusive of the intercompany account) of this subsidiary at October 31, 1949 approximated 11.0% and 12.2%, respectively, of the aggregate assets of this subsidiary at October 31, 1949 (exclusive of the intercompany account) and of the Company at July 31, 1949. The gross revenues of this subsidiary for the ten months ended October 31, 1949 converted to an annual basis by adding 20% amounted to approximately 11.3% of the aggregate gross revenues of this subsidiary, as computed above, and of the Company for the year ended July 31, 1949.

11. On November 18, 1949 the Company had a fire in its aviation heat treat building with a resulting estimated damage of between \$200,000 and \$300,000 to the building and machinery and equipment. The building and machinery and equipment, as well as the interruption of business resulting from the fire, is covered by insurance. The Company does not expect the fire damage to cause a curtailment of production as outside manufacturers are available for heat treat and finishing processing.

The following financial statements are supplied by the Company:

CONTROLLER'S CERTIFICATE

December 1, 1949

I hereby certify that I am Controller of Kropp Forge Company and the A. C. Woods & Company and that I have charge and custody of the books and accounts of said companies. I have examined the consolidated balance sheet of Kropp Forge Company as of October 31, 1949 and the related statements of income and surplus of the Kropp Forge Company for the three months then ended, and hereby certify that these financial statements in my opinion, correctly state the financial position of the Companies at October 31, 1949 and the results of its operations for the period then ended.

I also certify that there have been no material changes in the condition of the Companies from October 31, 1949 to December 1, 1949, other than those which occurred in the ordinary course of business except those explained in Note 7.

D. WOODHOUSE, *Controller.*

KROPP FORGE COMPANY AND SUBSIDIARY—A. C. WOODS & COMPANY CONSOLIDATED BALANCE SHEET—OCTOBER 31, 1949

ASSETS

CURRENT ASSETS:

Cash		\$ 196,263.38
U. S. Treasury Certificates		25,000.00
Accounts Receivable:		
Trade (Less Reserves for Doubtful Accounts and Sales Returns, \$35,666.90)	\$ 387,168.66	
Sundry Debtors (Including Employees, \$2,368.29)	6,857.44	
Accounts Receivable Net		394,026.10
Accrued Interest Receivable		245.00
Inventories:		
Raw materials	\$ 772,302.04	
Work in Process	210,188.15	
Operating Supplies and Repair Parts	226,219.79	
Total Inventories		1,208,709.98
Total Current Assets		\$1,824,244.46

OTHER ASSETS:

Cash Surrender Value of Life Insurance on Officers	\$ 44,768.18	
Investment in Inactive Subsidiary	1,000.00	
Miscellaneous Investments (Less Reserve \$809.35)	1.00	
Mortgage Loan Due from Employee	10,154.48	
Notes Receivable Sundry	1,213.02	
Total Other Assets		57,136.68

PLANT PROPERTY—AT COST:

Land, Buildings, Machinery, Equipment, and Fixtures	\$2,897,925.96	
Emergency Facilities (Fully Amortized)	612,514.89	
Total	\$3,510,440.85	
Less Reserves for Depreciation and for Amortization of Emergency Facilities	1,803,379.58	
Plant Property—Net		1,707,061.27

PATENTS AND TRADEMARKS	1.00
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PREPAID EXPENSES AND DEFERRED CHARGES:

Unexpired Insurance Premiums	\$ 63,287.66	
Mortgage Loan Expense—Unamortized Portion	7,666.21	
Miscellaneous	3,525.00	
Total Prepaid Expenses and Deferred Charges		74,478.87
		<u>\$3,662,922.28</u>

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES:

Notes Payable—Banks		\$ 300,000.00
Notes Payable—Sundry		20,358.61
First Mortgage Loans—Current Maturities		85,300.00
Accounts Payable		118,255.92
Employees' Income and Social Security Taxes		14,806.75
Accrued Taxes:		
Federal Income	\$ 283,770.94	
Real Estate and Personal Property, etc.	39,189.64	
Social Security	6,385.83	
Total Accrued Taxes		329,346.41
Other Accrued Accounts:		
Salaries, Wages, and Commissions	\$ 90,693.27	
Interest and Insurance	15,259.75	
Contribution to Employees' Savings and Profit Sharing Fund	1,502.67	
Total—Other Accrued Accounts		107,455.69
Total Current Liabilities		\$ 975,523.38

LONG TERM DEBT:

Sundry Notes Payable Maturing 1949 to 1952	\$ 10,890.52	
First Mortgage Loan—4½%—Payable Quarterly in Installments of \$10,000.00	218,402.38	
First Mortgage Loan—4%—Payable Quarterly in Installments of \$11,325.00	577,570.00	
Total Long Term Debt		806,862.90

CAPITAL STOCK—

Authorized 1,500,000 Shares of \$0.33⅓ Par Value Issued and Outstanding 786,276 Shares	262,092.00
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SURPLUS:

Acquired		
Paid-In	\$ 78,593.15	
Earned	403,655.03	
Total Surplus	1,136,195.82	
		1,618,444.00
		<u>\$3,662,922.28</u>

KROPP FORGE COMPANY

SUMMARY OF NET INCOME AND SURPLUS

For the Month of October 1949 and Period of August 1, 1949 to October 31, 1949

	October 1949		September 1949		Year to Date	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Gross Sales	\$ 365,815.27	105.30	\$ 460,957.42	102.79	\$1,268,084.57	102.98
Less Sale Price Adjustments	5,069.66	1.46	6,371.14	1.42	12,112.58	.98
Adjusted Gross Sales	\$ 360,745.61	103.84	\$ 454,586.28	101.37	\$1,255,971.99	102.00
Less:						
Returns	12,954.61	3.73	4,461.29	.99	21,909.15	1.78
Allowances	402.45	.11	1,681.30	.38	2,620.33	.22
Net Sales	\$ 347,388.55	100.00	\$ 448,443.69	100.00	\$1,231,442.51	100.00
Cost of Goods Sold	308,963.23	88.94	381,570.62	85.09	1,020,233.82	82.85
Gross Profit on Sales	\$ 38,425.32	11.06	\$ 66,873.07	14.91	\$ 211,208.69	17.15
Expenses:						
Selling and Distributing	\$ 35,405.38	10.19	\$ 38,363.39	8.55	\$ 114,646.11	9.31
General and Administrative	28,510.31	8.21	19,577.13	4.37	68,907.08	5.60
TOTAL	\$ 63,915.69	18.40	\$ 57,940.52	12.92	\$ 183,553.19	14.91
Profit (or Loss) from Operations	\$ 25,490.37*	7.34*	\$ 8,932.55	1.99	\$ 27,655.50	2.24
Other Income Credits:						
Purchase Discounts	\$ 377.15	.11	\$ 956.30	.21	\$ 1,975.28	.16
Miscellaneous Income	375.00	.11	—	—	375.00	.03
TOTAL	\$ 752.15	.22	\$ 956.30	.21	\$ 2,350.28	.19
Gross Income (or Loss)	\$ 24,738.22*	7.12*	\$ 9,888.85	2.20	\$ 30,005.78	2.43
Income Charges:						
Cash Discount on Sales	1,793.85	.52	1,814.35	.40	5,489.02	.45
Interest Expense	3,801.98	1.09	3,343.63	.75	10,493.94	.85
TOTAL	\$ 5,595.83	1.61	\$ 5,157.98	1.15	\$ 15,982.96	1.30
Net Income for Period	\$ 30,334.05*	8.73*	\$ 4,730.87	1.05	\$ 14,022.82	1.13
Add Prior Years Adjustments	—	—	—	—	1,003.95	.08
Net Income	\$ 30,334.05*	8.73*	\$ 4,730.87	1.05	\$ 15,026.77	1.21
Less Reserve for Employees Profit Sharing Plan (10% of Net Income)	3,033.41*	.87*	473.08	.10	1,502.67	.12
Net Income Before Provision for Federal Taxes	\$ 27,300.64*	7.86*	\$ 4,257.79	.95	\$ 13,524.10	1.09
Provision for Federal Taxes on Income	10,374.24*	2.99*	1,617.96	.36	5,139.16	.42
Net Income (or Loss) After Provision for Taxes	\$ 16,926.40*	4.87*	\$ 2,639.83	.59	\$ 8,384.94	.67
Dividends Paid	—	—	—	—	—	—
Balance of Income (or Loss) Transferred to Surplus	\$ 16,926.40*		\$ 2,639.83		\$ 8,384.94	
Earned Surplus at Beginning of Period	1,153,122.22		1,150,482.39		1,127,810.88	
Capital Surplus	403,655.03		403,655.03		403,655.03	
	<u>\$1,539,850.85</u>		<u>\$1,556,777.25</u>		<u>\$1,539,850.85</u>	

* Indicates red figures.

KROPP FORGE COMPANY

NOTES TO FINANCIAL STATEMENTS

For the Three Months Ended October 31, 1949

1. The wholly-owned subsidiary, Kropp Forge Aviation Corporation has not been consolidated herein as it is inactive and is not significant. The only effect of consolidation would be to eliminate the investment of \$1,000.00, included in the balance sheet, and to increase cash in a like amount. The A. C. Woods Company wholly-owned subsidiary was acquired as of October 20, 1949 and therefore, the Profit and Loss Statements represents only the operation of the parent company Kropp Forge Company. The A. C. Woods Company is included in the consolidated balance sheet.

2. The Company acquired an adjacent aircraft forging plant during the year ended July 31, 1949 at a cost of \$783,242.90. This plant, having an aggregate gross book value of \$848,264.03 at October 31, 1949, is subject to the 4% first mortgage.

Land, Buildings, and improvements of the Company's other plant, having an aggregate gross book value of \$449,978.28 at October 31, 1949, is subject to the 4½% first mortgage.

Certain machinery, having an aggregate gross book value of \$77,835.88, is subject to the sundry notes payable, having been acquired under conditional sales contracts.

3. Mortgage Loan expense incurred in connection with the 4½% first mortgage is being amortized on the basis of the debt outstanding method.

4. Federal income tax returns of the Company for all years to and including the year ended December 31, 1943 have been examined by the Bureau of Internal Revenue and final settlements have been made. The examination of the returns for the period January 1, 1944 to July 31, 1947 resulted in additional taxes and interest thereon of approximately \$54,700 and \$36,800, respectively, for which provision has been made in the accounts. The returns for the years ended subsequent to July 31, 1947 have not been examined by the Bureau.

5. During the three month period ended October 31, 1949 the Company performed work under certain sales contracts and sub-contracts which are subject, wholly or in part, to existing Acts of Congress with respect to renegotiation and the limitation of profits. The profits realized thereon are fair and reasonable; therefore, no provision has been made in the Company's accounts for refund to the government.

6. It is the policy of the Company to provide for depreciation of buildings, equipment, machinery, etc. at rates designed to amortize the cost of the respective classes of property over their estimated service lives. Provisions for depreciation during the three months ended October 31, 1949 were computed at the following annual rates:

Buildings	2½ % and 5 %
Machine Shop	2½ %
Power-house improvements	8½ %
Equipment	5 %
Machinery	6½ %
Tools	16½ %
Sprinkler and lunch-room equipment, land improvements, etc.	10 %
Automobiles and trucks	25 %
Office furniture and fixtures	6½ %

It was the policy of the Company to amortize improvements to leased property at a rate designed to amortize the cost over the life of the lease which expired June 1, 1951. As of August 1, 1948 the Company purchased the leased property, and the unamortized portion of leasehold improvements as of that date, \$30,441.31, was transferred to the machinery and equipment account.

The practice of the Company, generally, in connection with accounting for maintenance, repairs, and renewals, is to charge expenditures of this nature directly to expenses. Only items which represent actual additions to property are capitalized. The Company does not have detailed records for property acquired prior to 1944. When property acquired in 1944 or subsequent thereto is retired either by sale or other disposition, the property account is credited for the full amount for which the item had been capitalized and the reserve for depreciation charged for any accumulated reserve; the difference, if any, is carried to profit and loss. When property acquired prior to 1944 is retired either by sale or other disposition, no entries are made to the property or reserve accounts; the proceeds received, if any, are carried to profit and loss.

7. On November 18, 1949 the Company had a fire in its aviation heat treat building with a resulting estimated damage of between \$200,000 and \$300,000 to the building and machinery and equipment. The building and machinery and equipment, as well as the interruption of business resulting from the fire, is covered by insurance. The Company does not expect the fire damage to cause a curtailment of production as outside manufacturers are available for heat treat and finishing processing.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

(1) To notify the Exchange promptly of any change in the general character or nature of its business.

(2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.

(3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.

(4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.

(5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago, within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange, except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said city. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.

(6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.

(7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for the listing of the securities as changed.

(8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.

(9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

Messrs. Norville & Dent, 105 West Adams Street, Chicago 3, Illinois, counsel to the Company, have given their opinion that the Company has been duly and validly organized under the laws of the State of Illinois and is presently validly existing and in good standing under the laws of that State; that 786,276 shares of its Common Stock of the par value of 33⅓¢ per share presently outstanding have been validly authorized and issued and constitute fully paid non-assessable shares of the Company, with no personal liability attaching to the ownership thereof. Mr. Leo T. Norville of said firm is a director and stockholder of the Company.

GENERAL INFORMATION

Transfer Agent: City National Bank & Trust Company of Chicago, 208 S. La Salle Street, Chicago 4, Illinois.

Registrar: Continental Illinois National Bank & Trust Company of Chicago, 231 S. LaSalle Street, Chicago 4, Illinois.

The fiscal year of the Company ends July 31 of each year.

The Annual Meeting of the shareholders of the Company is held at the principal offices of the Company at 5301 W. Roosevelt Road, Cicero, Illinois, on the fourth Tuesday in October in each year, or if that day be a legal holiday, then the next succeeding business day.



Sunbeam
CORPORATION
(An Illinois Corporation)

Common Stock
(No Par Value)

Prepared by the Company
for

Midwest Stock Exchange

Sunbeam Corporation has made application to list and register on the Midwest Stock Exchange, upon notice of issuance, 225,000 shares of Common Stock, of no par value, which application was approved by the Executive Committee of the Exchange on February 27, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Sunbeam Corporation

(An Illinois Corporation)

Common Stock

(No Par Value)

LISTING

Reference is hereby made to previous listing application of Sunbeam Corporation (then Chicago Flexible Shaft Company) covering 180,000 shares of its Common Stock, of a par value of \$5.00 per share, which was approved by the Governing Committee of The Chicago Stock Exchange on September 5, 1929; to previous application to list 540,000 shares of Common Stock of no par value, approved by the Executive Committee of the Chicago Stock Exchange on July 25, 1944; and to previous application to list 135,000 shares of Common Stock of no par value, approved by the Executive Committee of the Chicago Stock Exchange on February 24, 1949.

The Company has made application to list 225,000 additional shares of its Common Stock of no par value on the Midwest Stock Exchange, all of which are to be registered upon notice of issuance, which application was approved by the Executive Committee of the Exchange on February 27, 1950.

CAPITALIZATION

The capitalization of the Company as of April 15, 1950, is as follows:

	<u>Authorized</u>	<u>Outstanding as of April 15, 1950</u>
Common Stock, no par value.....	1,080,000	900,000

PURPOSE OF ISSUANCE

At a meeting duly called and held on February 23, 1950, the Board of Directors of the Company declared a stock dividend of 33 $\frac{1}{3}$ % on the then outstanding Common Stock, payable in Common Stock, on April 15, 1950, to the holders of Common Stock of record at the close of business on March 21, 1950. All of the 225,000 shares of Common Stock will be issued and distributed in payment of this stock dividend. On February 23, 1950, there was transferred from earned surplus to stated capital, the sum of \$5,400,000.

Bearer scrip for one-third shares each, will be issued in lieu of fractional shares (resulting from said stock dividend) and by its terms, among other things, the holders of such scrip have a period of two years from the date of issue thereof, i.e. April 15, 1950, in which to consolidate such scrip into one or more full shares of Common Stock. After said two year period the Exchange Agent for such scrip, The First National Bank of Chicago, will sell, for cash, upon any national securities exchange upon which the said shares of the Company may then be listed, (or if any such shares cannot then be sold on any exchange, then in such other manner as the Exchange Agent may determine) an amount of Common Stock equivalent to the aggregate of all unconsolidated scrip then outstanding and will hold the proceeds for the following four years for the benefit and on demand of the then holders of such unconsolidated scrip in the proportions to which they may be entitled. At the close of business on April 14, 1956, the scrip will then become null and void and any funds then in the hands of the exchange agent shall be paid into the Treasury of the Company.

The stock dividend shares upon any of the scrip issued on the 25% dividend paid last year which has not been exchanged on or before March 21, 1950, will be sold on the open market for cash, on April 15, 1950, or as soon thereafter as possible and the proceeds held by The First National Bank of Chicago for distribution upon the same terms as cash dividends distributable on such scrip issued April 11, 1949.

OPINION OF COUNSEL

Messrs. Hay, Morton, Finn and Van Mell, attorneys at law, of Chicago, Illinois, have stated that the issuance of said 225,000 shares of Common Stock has been properly authorized and the shares when issued in accordance with the terms of such authorization will be fully paid and non-assessable.

Brown & Bigelow

(A Minnesota Corporation)

Common Stock

(Par Value \$1 Per Share)

Prepared by the Company

for

Midwest Stock Exchange

Brown & Bigelow made application to list 1,263,645 shares of its Common Stock, par value \$1 per share, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on March 3, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Brown & Bigelow

(A Minnesota Corporation)

Common Stock

(Par Value \$1 Per Share)

Brown & Bigelow made application to list 1,263,645 shares of its Common Stock, par value \$1 per share, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on March 3, 1950.

CAPITALIZATION

Funded Debt:

The only funded debt of the Company and its subsidiaries is \$4,455,000 as of February 21, 1950 represented by the Company's 4% Sinking Fund Debentures dated as of June 1, 1948 and due June 1, 1963. None of the debentures are held by any of the Company's subsidiaries. The terms of the Sinking Fund Provisions of this Funded Debt provide for annual fund payments on principal of \$300,000 on June 1st of each of the years 1949 to 1962 inclusive. The Company is further obligated on June 1st of each of the years 1951 to 1962 to make an additional Sinking Fund Payment of contingent amount equal to 10 per cent of the amount by which net income for the preceding fiscal year exceeds \$300,000, but no such additional payment shall exceed \$300,000.

Capital Stock:

The Company was incorporated on July 19, 1905 with an authorized capital of \$310,000 divided into 3100 shares of stock, par value \$100 each; of these shares, 2500 were Common Stock and 600 Special or Preferred Stock. Changes in authorized capitalization since that date are reflected in the following table (total authorization is indicated as of each date):

Date		Common Stock Shares	Preferred Stock Shares
June 11, 1910	\$100 per share.....	3,750	600
June 28, 1915	\$100 per share.....	6,000	4,000
Feb. 21, 1922	\$100 per share.....	25,000	4,000
Feb. 19, 1929	Par value \$100 per share.....		25,000
	Without nominal or par value.....	250,000	
Aug. 1, 1946	6%—par value \$100 per share.....		25,000
	4½% cumulative—par value \$100 per share.....		35,000
	Par value \$1.00 per share.....	1,000,000	
Oct. 16, 1946	6%—Par value \$100 per share.....		25,000
	4½% cumulative—par value \$100 per share.....		35,000
	Without nominal or par value.....	250,000	
Dec. 6, 1947	6%—Par value \$100 per share.....		25,000
	Par value \$1 per share.....	2,000,000	

Changes in the outstanding amounts of the Company's Capital Stock for the past five years are summarized as follows:

Fiscal Year Ending January 31	No. of Preferred Shares Reacquired for Treasury	Preferred Stock Outstanding		Common Stock Outstanding	
		No. of Shares	Amount	No. of Shares	Amount
1946	16.6666	19,084.45	\$1,908,445	110,000	\$ 550,000
1947	623.3634	18,461.09	1,846,109	110,000	550,000
1948*	16.0	18,445.09	1,844,509	1,263,645	1,263,645
1949	—	18,445.09	1,844,509	1,263,645	1,263,645
1950 (Credit)	(13.0)**	18,458.09	1,845,809	1,263,645	1,263,645

*On December 8, 1947 there was a ten-for-one stock split, the Company issuing ten shares of Common Stock, par value \$1 per share, for each one share of common stock, without par value, outstanding. On the same date, the Company authorized the issuance of an additional 163,645 shares of Common Stock, \$1 par value, which were exchanged for all of the outstanding capital stock of three of the present subsidiaries, Quality Park Box Co., Incorporated, Consolidated Printing Ink Company and John Beissel Company.

**Stock reissued from treasury as sales prizes.

STOCK PROVISIONS

Dividend Rights:

6% Preferred Stock:

The holders of Preferred Stock shall be entitled to receive cumulative dividends at the rate of 6% per annum, payable quarterly on the first days of March, June, September and December of each year out of the Company's net profits or out of its net assets in excess of capital as determined by the Board of Directors.

Common Stock:

The Common Stock is entitled to receive dividends when and if declared by the Board of Directors, subject, however, to the prior rights of the 6% Preferred Stock as set forth in the preceding paragraph and subject to a limitation contained in the indenture securing the 4% Sinking Fund Debentures dated June 1, 1948, which limitation reads as follows:

"Limitation on Dividends. The Company will not declare or pay any dividend, make any distribution on its stock or pay or deliver anything of value to acquire any of its stock (all herein generally called 'stock payments'), except as below expressly permitted, unless in each case, after giving effect to the then proposed stock payment or payments, the sum of all stock payments made by the Company from January 31, 1948 to the date of the proposed stock payment, plus the aggregate Net Loss (if any) incurred in the period from January 1, 1948 to a date within 90 days of the date of the proposed stock payment, shall not exceed the sum of \$500,000 plus 60% of the aggregate Net Income (if any) for such period. In computing the amount of stock payments the following shall pertain:

(a) Dividends payable in stock of the Company shall not be considered a dividend, but any other payment in cash, securities or property on any class of stock of the Company shall be a stock payment hereunder;

(b) the issue or sale of any class of stock of the Company in exchange for or the proceeds of which are employed for the acquisition or retirement by purchase, exchange or redemption of any outstanding stock of the Company shall not be considered to involve any stock payment with respect to the stock so acquired;

(c) any purchase of stock which is later resold by the Company shall be deemed a stock payment only to the extent that the cost of such purchase exceeds the proceeds of such resale;

(d) if any stock of the Company issued or sold pursuant to subsection (a) or (b) above shall carry any sinking fund or re-purchase agreement, the operation or exercise thereof shall be considered as a stock payment hereunder unless met as permitted by subsection (b) above; and

(e) the computation of the aggregate Net Loss or aggregate Net Income for any period in question shall be made by adding the Net Loss and the Net Income separately as the same is reported to the Trustee pursuant to section 2.4 for each full fiscal year and each quarterly period following the last full fiscal year."

Voting Rights:

6% Preferred Stock:

The holders of the Preferred Stock shall not be entitled to any voting rights except that (1) during such period as a default shall exist in the payment of four consecutive quarterly dividends, each share of Preferred Stock shall be entitled to vote with the holders of Common Stock; each share, whether of Common Stock or Preferred Stock, being entitled to one vote, and (2) during such period as a default shall exist in the payment of eight consecutive quarterly dividends, the Preferred Stock shall be entitled to the exclusive voting power.

Common Stock:

The Common Stock has the sole right to vote upon all matters and the holders of Common Stock are entitled to one vote for each share of the stock held, subject, however, to the rights of the holders of the 6% Preferred Stock hereinbefore outlined.

Liquidation Rights:

6% Preferred Stock:

Upon dissolution or liquidation of the Company, the holders of the Preferred Stock shall be entitled to receive the par value of their shares, with unpaid cumulative dividends thereon to the date of payment before the holders of the Common Stock shall receive anything, and after having received such payment shall not be entitled to further participate in the assets of the Company.

Common Stock:

The holders of Common Stock are entitled to receive the assets remaining after provision for the prior rights of the holders of 6% Preferred Stock.

Pre-Emptive Rights:

The articles of Incorporation of the Company, as amended, provide in part:

"No holder of any class of stock of the corporation shall be entitled as of right to subscribe for, receive or purchase any part of any authorized but unissued stock or stock issued or re-acquired by the corporation, or of any new or additional stock, preferred or common, of any class, or of bonds, notes, debentures or other securities convertible into stock, or of any warrants or options."

Redemption Provisions:

6% Preferred Stock:

The Preferred Stock is subject to retirement in whole or in part at any time, as determined by the Board of Directors, at \$110 per share, plus cumulative unpaid dividends to the date of retirement, upon notice given by registered mail to the registered holders of such stock at least thirty days prior to the date of retirement.

Issuance of Additional Shares:

The Articles of Incorporation, as amended, provide for the issuance of additional shares from time to time for such consideration as may be fixed by the Board of Directors.

OPTIONS, WARRANTS, CONVERSION RIGHTS, ETC.

The Company has no authorized or outstanding options, purchase warrants, conversion rights or other commitments pursuant to which the Company may be required to issue any of its securities.

HISTORY AND BUSINESS

The Company was incorporated under the laws of Minnesota on July 19, 1905, as the successor to a partnership of the same name which was organized in 1896. The duration of the Company is perpetual.

Its principal executive offices and plant are located in St. Paul, Minnesota.

General Nature of the Business:

The Company is engaged in the design, manufacture and sale of a wide range of articles described herein, which, under the Company's trademark "Remembrance Advertising", are sold, principally to business firms, for distribution and use by such firms as advertising media.

In order to effect the sale of the products which it manufactures, the Company offers a direct advertising service whereby the advertiser is enabled to make contact with his customers or prospects by the employment of products which the Company manufactures. The advertising service so offered by the Company is directed particularly to businesses and professional men to whom it is important to maintain a direct personal relationship with their customers and prospects.

The Company manufactures merchandise in the following different categories as media for the functioning of its advertising service:

Paper Products, Engraved Products, Leather Goods, Metal and Plastic Novelties, Playing Cards.

The products of the Company are sold to its customers as a means of performing an advertising service for them. Each product bears the imprint of the advertiser's name and such other copy as effects the advertising purpose of the customer.

The Company manufactures approximately 800 different items applicable to the advertising service offered by the Company to the advertiser.

The Company's sales policy is, first, to plan and offer an effective advertising program for its customers, and then to implement this program by the use of those products of the Company which best serve the fundamental purpose and fit the budget of the advertiser.

The Company, in addition to its standard items, designs and manufactures specially prepared items for its customers on order.

With some unimportant exceptions the Company does not manufacture goods for resale, at wholesale or retail, as merchandise. One exception is that playing cards imprinted with the advertiser's name are sometimes resold by the Company's customers.

Types of Products:

The Company was one of the pioneers in this country in the field of advertising calendars and this is still the Company's most important single product. However, during recent years the Company has diversified its business, and its products now fall within the following general classifications:

Paper Products: Calendars and direct mail advertising folders and blotters.

Engraved Products: Holiday, birthday, anniversary and announcement cards.

Leather Goods: Billfolds, wallets, key cases, memorandum books, desk pads and portfolios.

Metal and Plastic Novelties: Plastic and metal desk calendars, letter openers, telephone indexes, thermometers, ash trays; Redipoint, a mechanical pencil; Redilite, a metal cigarette lighter; and Redipen, a ball-pointed fountain pen.

Playing Cards.

The following table shows the relative distribution of dollar amounts of gross shipments (before deducting discounts and allowances) of the Company's products among the above classifications during the past five fiscal years.

Dollar Distribution of Gross Shipments of Products by Major Lines

Fiscal Year Ending January 31	Paper	Novelties	Leather	Engraving	Playing Cards	Total
1946.....	\$ 9,310,649.13	\$ 2,444,917.05	\$4,777,640.98	\$1,703,602.36	\$2,091,010.41	\$20,327,819.93
1947.....	12,127,844.36	8,723,348.95	4,316,532.63	2,180,392.74	2,519,657.89	29,867,776.57
1948.....	15,607,951.40	10,052,507.77	4,015,191.61	2,520,008.86	2,565,995.66	34,761,655.30
1949.....	16,892,576.40	9,729,623.01	3,850,571.89	2,797,700.62	2,457,712.97	35,728,184.53
1950.....	17,510,214.55	10,090,819.37	2,686,656.63	2,518,524.45	2,501,191.63	35,307,406.63

PERCENTAGE DISTRIBUTION OF GROSS SHIPMENTS OF PRODUCTS BY MAJOR LINES

Fiscal Year Ending January 31	Paper	Novelties	Leather	Engraving	Playing Cards	Total
	%	%	%	%	%	%
1946	45.8	12.0	23.5	8.4	10.3	100
1947	40.6	29.2	14.5	7.3	8.4	100
1948	44.9	28.9	11.6	7.2	7.4	100
1949	47.3	27.2	10.8	7.8	6.9	100
1950	49.6	28.6	7.6	7.1	7.1	100

Patents and Trademarks:

The Company owns a large number of patents covering many of the items which it manufactures. Some of the Company's machinery is also covered by patents as are certain processes which it uses in its business. The Company also operates under certain licenses on patents held by others. The Company owns a large number of trademarks which are registered in the Patent Office; some of its outstanding trademarks include "Business Builders", "Remembrance" and "Remembrance Advertising". Many of the pictures and etchings reproduced by the Company are copyrighted. While the patents and licenses referred to furnish some protection, the Company's business is not materially dependent thereon, and in the opinion of the officers of the Company the present protection in this regard is adequate.

Business of Subsidiaries:

Quality Park Box Co., Incorporated (herein sometimes called the "Box Company") is engaged in the manufacture and sale of mailing tubes and set-up paper boxes to meet the special size and shape requirements of its customers. Its market has been largely confined to the St. Paul-Minneapolis area because of the cost of packaging and transporting set-up paper boxes.

The number of customers annually served is relatively limited. Of the value of the manufactured products shipped in 1949, approximately 97% was accounted for by the six largest customers. Of this same total value of manufactured products shipped in 1949, 57% was accounted for by the Company. The customers fall into two classes—manufacturers requiring mailing tubes and set-up boxes for the packaging of their finished products, and large retail establishments requiring set-up boxes for the merchandise they sell.

The Box Company employs at the present time in its factory and office approximately 80 employees.

Consolidated Printing Ink Company (herein sometimes called the "Ink Company") is engaged in the manufacture and sale of printing and lithographing inks and of glue and glycerine printers rollers on order to meet the special requirements of its customers.

The market regularly covered comprises the states of Iowa, Minnesota, North Dakota, South Dakota and Wisconsin. There are a few scattered customers outside this area.

The number of customers annually served approximates 500. These customers are general printing and lithographing plants, and newspaper printing plants. For newspaper printing the Ink Company manufactures only colored inks, not black inks.

Approximately 66% of 1949 sales comprised sales made to seven customers. The Company accounted for 17% of 1949 sales.

The Ink Company maintains a sales force of three men. The total number of employees is 31.

Sales, at the present time, are limited by its manufacturing capacity.

Beissel Electrotpe Company (herein sometimes called the "Beissel Company") is engaged in the production and sale of electrotypes, stereotypes and mats for the printing and advertising trade. This Company operated under the name of John Beissel Company until just recently when the name was changed to Beissel Electrotpe Company.

Approximately 80% of its sales are made in the St. Paul-Minneapolis area.

The Beissel Company serves an average yearly total of approximately 200 customers, of whom approximately 150 are regular customers. Of these regular customers a total of seven, located in the St. Paul-Minneapolis area, account for approximately 80% of the annual sales volume. The Company accounted for 24% of 1949 sales.

The Beissel Company through the acquisition of the most modern equipment available, and by the adoption of modern techniques maintains a favorable trade position.

The Beissel Company employs at the present time a total of approximately 30 employees.

Quality Park Advertising Agency, Inc. is engaged in conducting a general advertising agency business. At the time of incorporation, it acquired and is now operating the advertising agency business formerly carried on as a division of Brown & Bigelow, which comprises a complete advertising agency service.

At the present time, the Company is serving approximately 15 customers at various locations within the United States.

The total number of employees is 4.

**SUMMARY OF CONSOLIDATED NET EARNINGS OF THE COMPANY AND SUBSIDIARIES
FOR THE 11 YEARS ENDED JANUARY 31, 1950**

Year Ended January 31	Net Sales	Deduction for		Net Income Before Provision for Taxes on Income
		Interest	Aggregate Depreciation	
1940(b)	\$ 6,033,077	\$ 918	\$115,673	\$ 504,411
1941(b)	6,452,405	2,376	114,412	576,870
1942(b)	7,674,335	2,789	114,432	760,545
1943(b)	8,985,722	4,408	99,443	872,753
1944(b)	16,173,259	463	112,035	2,145,999
1945	23,698,558	6,845	137,503	3,108,075
1946	26,545,614	22,763	232,100	2,671,209
1947	29,303,804	36,693	152,293	3,640,123
1948(c)	34,641,956	65,262	221,669	3,774,328
1949(d)	36,441,890	219,464	307,910	4,634,592
1950 (unaudited) (d).....	36,037,678	195,439	311,201	4,839,482

Year Ended January 31	Provision for			
	Federal Taxes on Income	Excess Profits Tax(a)	State Taxes on Income	Net Income
1940(b)	\$ 78,303	\$ —	\$ 21,050	\$ 405,058
1941(b)	104,450	—	31,000	441,420
1942(b)	174,722	96,000	12,000	477,823
1943(b)	215,000	299,868	15,000	342,884
1944(b)	262,000	1,312,481	35,000	536,518
1945	206,000	2,085,057	25,000	792,018
1946	290,000	1,657,788	15,000	708,421
1947	1,486,264	—	25,000	2,128,858
1948(c)	1,457,167	—	49,500	2,267,661
1949(d)	1,816,563	—	71,610	2,746,419
1950 (unaudited) (d).....	1,866,100	—	73,093	2,900,289

(a) After deducting postwar credit.

(b) Including sales and earnings of a subsidiary of the Company organized in the fiscal year ended January 31, 1939 and liquidated in the fiscal year ended January 31, 1944.

(c) Including one month's sales and earnings of three of the Company's subsidiaries and seven months' sales and earnings of its other subsidiary. All four of these subsidiaries were acquired during the fiscal year ended January 31, 1948.

(d) Consolidated sales and earnings of the Company and its subsidiaries.

PROPERTY DESCRIPTION

The Company:

The Company's executive offices and main plant are located at 1286 University Avenue, St. Paul, Minnesota, where the Company owns in fee about 23½ acres of land. The Company's buildings consist of the following:

Main office and plant, three stories high, of reinforced concrete and brick construction, containing approximately 190,000 square feet of floor space. Built in 1914 with an addition completed in 1918.

Press room, a one-story building of steel and brick construction, containing approximately 37,200 square feet of floor space. Completed in 1924.

Warehouse and manufacturing building, a one-story building of steel, wood and brick construction, containing approximately 56,200 square feet of floor space. The various units completed in 1920, 1924 and 1938.

Power plant, a three-story building of brick, steel and concrete construction, containing approximately 7,200 square feet of floor space. Completed in 1926.

Manufacturing building of steel, brick and wood construction, containing approximately 59,780 square feet of floor space on one floor, plus a partial second floor containing approximately 3,000 square feet of floor space. One unit completed in 1944, and one in 1945.

Storage building for volatiles, of brick and steel construction, containing approximately 1,500 square feet of floor space. Completed in 1932.

Playing card manufacturing building, one-story, of masonry and steel construction, containing approximately 33,600 square feet of floor space. Completed in 1945.

Garage, of masonry, steel and wood construction, containing approximately 12,000 square feet of floor space. Completed in 1947.

Photographic department, a two-story frame building containing approximately 2,000 square feet of floor space. Completed in 1936.

In January, 1948, the Company rented a three-story modern factory and office building comprising approximately 135,000 square feet of floor area located in Minneapolis, Minnesota. As of June 15, 1948, the Company leased this property for a 15-year term, with eight ten-year options of renewal and one five-year option of renewal. The building leased houses the entire Novelty and Leather Manufacturing Departments of the Company.

All of the above described properties are served by railroad sidings.

Additional space requirements are provided by rented property in five locations in or adjacent to St. Paul, aggregating approximately 263,000 square feet of floor space, used for storage and other corporate purposes. Fifty district offices are maintained in principal cities under short-term leases.

The Company's printing plant includes modern color presses of the letter press, offset press and rotogravure types, plate-making equipment, composing machines, job presses, and gathering and bindery equipment required for the printing of the Company's calendars and other paper products.

In the manufacture of novelties, the principal equipment consists of injection, transfer and compression molding machines for plastic products, automatic screw machines, punch presses, equipment for metal finishing by plating and painting and equipment for making dies, molds and other tools.

In addition to printing equipment, the playing card department uses drying and seasoning equipment, and card-cutting, sizing and wrapping equipment of modern types.

The leather department uses cutting, sewing and color-spraying machinery as required for its operations.

The average age of the Company's principal machinery and equipment is as follows:

Machine Tool and Printing Equipment (items costing over \$1,000 per item) ..	13 years
Power House Equipment.....	13 years

All of the Company's buildings are in excellent condition. Machinery and equipment is in good condition although a portion of it is relatively old and has been fully depreciated on the Company's books.

Quality Park Box Co., Incorporated:

The general offices and plant of the Box Company are located in St. Paul, Minnesota, adjacent to the main plant of the Company in a three-story and basement building of brick and masonry construction with a floor space of approximately 100,000 square feet. This building, together with the land upon which it is situated and adjoining unimproved land, is occupied jointly by the Box Company and by another company which is not affiliated with it. The land and building are jointly owned in fee by such companies. The Box Company occupies approximately one-third of the floor area of the building, which was completed in 1926 and is considered by the management of the Company to be in excellent condition. The building has a railroad siding available.

The equipment of the Box Company consists principally of cutting, folding and gluing equipment of both automatic and hand-feeding types. Approximately 65% of the machinery and equipment was purchased prior to 1932 and is now fully depreciated. The management of the Company considers that the machinery and equipment are in excellent condition.

Consolidated Printing Ink Company:

The general offices and ink manufacturing plant of the Ink Company are located in St. Paul, Minnesota, on leased property, adjacent to the main plant of the Company, and in a one-story building of brick construction containing approximately 7,500 square feet of floor space. The Ink Company's roller manufacturing plant is also on leased property situated in a one-story annex to the ink plant, and containing approximately 2,184 square feet of floor space, of which two walls are of brick veneer construction and the third wall is wood frame construction. This property also has a railroad siding available.

The equipment of the Ink Company consists principally of mills for mixing and grinding of dry colors, used in the ink department, and molds for composition rollers, used in the roller plant. The machinery and equipment have been gradually acquired since 1917 and approximately 50% is now fully depreciated. The management of the Company considers that the machinery and equipment are in good condition.

Beissel Electrotype Company:

The general offices and plant of the Beissel Company were recently moved to new larger quarters consisting of approximately 8,500 square feet of floor space on the third floor of a brick and concrete building located adjacent to a railroad siding in St. Paul, Minnesota. The move was necessitated by the inadequacy of space to accommodate increased business at the former location.

The equipment of the Beissel Company includes molding presses, solution tanks for copper plating, waxing, polishing, trimming and roughing equipment much of which has been recently acquired. The management of the Company considers that the machinery and equipment are in excellent condition.

Quality Park Advertising Agency, Inc.:

The offices of Quality Park Advertising Agency, Inc. are located in rented space in the Box Company building adjacent to the main plant of the Company. This Company owns no property other than a minor amount of office furniture and fixtures which are in excellent condition.

AFFILIATED COMPANIES

The Company has four subsidiaries, Quality Park Box Co., Incorporated, Consolidated Printing Ink Company, Beissel Electrotype Company and Quality Park Advertising Agency, Inc. The Company owns all of the outstanding capital stock of each subsidiary. Each subsidiary maintains an office in St. Paul, Minnesota, only.

Quality Park Box Co., Incorporated, is a Minnesota corporation; it was incorporated on January 19, 1923; its outstanding capital stock consists of 1500 shares of Common Stock, without par value. Of the total value of manufactured products shipped in 1949 57% was accounted for by the Company.

Consolidated Printing Ink Company is a Minnesota corporation having been organized on March 1, 1920. Its outstanding capital stock consists of 245 shares, par value \$100 each. The Company accounted for approximately 17% of the 1949 sales of Consolidated Printing Ink Company.

The Beissel Electrotype Company is also a Minnesota corporation, having been organized on December 15, 1930. Its outstanding capital stock consists of 1000 shares, without par value. The Company accounted for 24% of its 1949 sales.

Quality Park Advertising Agency, Inc., is a Minnesota corporation, having been organized on July 8, 1947; its outstanding capital stock consists of 1,000 shares of capital stock without par value.

To the knowledge of the Company the only person holding directly or indirectly 10% or more of the voting stock of the Company is Charles A. Ward, President, who owned 200,508 shares of the Common Stock, \$1 par value as of February 23, 1950.

MANAGEMENT

The names and addresses of the Directors and Officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Charles A. Ward	1286 University Avenue, St. Paul 4, Minnesota	Director, President and General Manager
Ernest C. Peterson	1286 University Avenue, St. Paul 4, Minnesota	Director, Vice President and Treasurer
W. H. Oppenheimer	766 Linwood Avenue, St. Paul, Minnesota	Director
R. C. Lilly	Delaware Avenue, St. Paul 7, Minnesota	Director
Mrs. C. A. Ward	Hudson, Wisconsin	Director
Wm. H. Marzolf	1286 University Avenue, St. Paul 4, Minnesota	Director and Executive Assistant to the President
Charles V. Welty	1286 University Avenue, St. Paul 4, Minnesota	Director, and Senior Vice President in Charge of all Manufacturing
G. F. Jacobs	450 Syndicate Street, St. Paul 4, Minnesota	Director

<u>Name</u>	<u>Address</u>	<u>Office</u>
Claude R. Beddall	1286 University Avenue, St. Paul 4, Minnesota	Director and General Counsel
P. W. Atkinson	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Sales Division
D. W. Brabeck	360 East Grand Avenue, Chicago, Illinois	Vice President—Sales Division
F. E. Gruber	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Manufacturing Division
R. J. Henderson	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Sales Division
S. W. Rindfleisch	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Creative Division
J. D. Thornton	1222 Peachtree Street N.E., Atlanta, Georgia	Vice President—Sales Division
H. L. Cone	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Manufacturing Division
H. O. Nelson	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Manufacturing Division
P. J. Sundberg	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Sales Division
E. F. Craft	1621 E. Hennepin Avenue, Minneapolis, Minnesota	Vice President—Manufacturing Division
P. W. Felt	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Manufacturing Division
L. W. Thulin	1286 University Avenue, St. Paul 4, Minnesota	Vice President—Manufacturing Division
Millard B. House	1286 University Avenue, St. Paul 4, Minnesota	Controller
T. A. Brown	1286 University Avenue, St. Paul 4, Minnesota	Secretary
Raymond O. Mitsch	1286 University Avenue, St. Paul 4, Minnesota	Assistant Treasurer
L. T. Hage	1286 University Avenue, St. Paul 4, Minnesota	Assistant Secretary

DIVIDEND RECORD

Since January 1, 1943, the Company has paid dividends upon its Common Stock as set forth in the following tabulation. On December 8, 1947 stock of the Company was split 10 for 1.

<u>Calendar Year in which Paid</u>	<u>Shares of Common Stock Outstanding</u>	<u>Amount of Common Stock Dividend</u>	<u>Dividend per Share</u>
1943 (a)	110,000	\$ 110,000	\$1.00
1944 (a)	110,000	220,000	2.00
1945 (a)	110,000	220,000	2.00
1946 (a)	110,000	220,000	2.00
1947 (a)	110,000	220,000	2.00
1948	1,263,645	1,263,645	1.00
1949	1,263,645	1,263,645	1.00
1950 (b)	1,263,645	(b)	(b)

(a) Before recent split-up.

(b) Dividend of 25¢ per share has been declared payable on March 15, 1950 to holders of record February 24, 1950.

Dividends at the rate of \$6 annually were paid on the outstanding 6% Preferred Stock throughout the period.

EMPLOYEES—LABOR RELATIONS

Contracts Between the Company and Charles A. Ward:

Under a contract dated July 15, 1946, between the Company and Charles A. Ward, the Company employed Mr. Ward as its General Manager and principal executive officer for five years from August 1, 1946, at a compensation of \$75,000 per year, and Mr. Ward agreed to act in such capacity. This contract provides that the fixing of such compensation in the amount stated shall not prevent or limit the Board of Directors from voting Mr. Ward from time to time a bonus in addition thereto if the Board deems such action advisable.

Under a separate contract dated July 15, 1946, between the Company and Mr. Ward, the Company confirmed certain retirement and death benefit commitments previously entered into between the Company and Mr. Ward, whereby, (1) in the event of his retirement, the Company will continue to pay him a sum equivalent to \$65,000 a year for a period of four years; (2) in the event of the death of Mr. Ward while in the employ of the Company, the Company will pay his estate a sum equivalent to \$65,000 a year for a period of four years; and (3) in the event of the death of Mr. Ward after ceasing to be in the active employ of the Company, the Company will pay his estate \$65,000 a year for any unpaid portion of the four-year period referred to in (1) above. Provision is made for such payments to be in smaller installments at his option and for his estate to have the right to accelerate any sums thereafter becoming due. This contract provides that the Company will maintain in force and pay premiums upon policies of insurance on the life of Mr. Ward, which are assigned to a bank as security for the obligations of the Company to make the retirement and death benefit payments referred to above. The Company has the right to receive any excess sums received under said policies not used for payment of such retirement and death benefit payments.

Bonus Arrangements:

The Company during recent years has paid bonuses to employees, including executives, and to certain others in the service of the Company, such as artists. Such bonuses have the final approval of the President after consultation with executive employees and officers and consideration of their recommendations.

The total payments made by the Company for such bonuses during the fiscal year ended January 31, 1950, were \$598,150. Further reference to this subject is made in Notes to Financial Statements herein.

No definite policy exists or has been formulated with reference to bonuses for the year ending January 31, 1951 or for later years. The Company expects to pay bonuses to officers and employees, the aggregate amount thereof being dependent upon earnings and the determination of the Board of Directors.

Labor Relations:

The Company has written union shop agreements with four local unions affiliated with the American Federation of Labor, with one independent union, namely the International Association of Machinists, and one C. I. O. union, namely the Amalgamated Lithographers of America. It is contemplated that for the future, one of the four A. F. L. agreements covering printing pressmen at both the St. Paul and Minneapolis plants of the Company will be separated into two distinct agreements. The Company also has oral agreements for its St. Paul and Minneapolis plants confirmed by an exchange of letters with the Typographical Union, A. F. L., (the local officers of the union have recently indicated a desire to enter into formal written agreements), and also an oral agreement with the Teamsters Union.

All labor contracts of the Company, first drawn up in 1937 and 1938, have normally been renewed annually with occasional modifications as required. The present agreements of the Company were entered into, effective as of February 1, 1949, and will continue in effect from year to year subject to the right of either party to terminate or reopen the agreements on January 31 of each year upon 60 days' prior written notice to the other party. Negotiations for the usual renewals are currently proceeding.

The wholly-owned subsidiary, Beissel Electrotpe Company, has a written union shop agreement entered into May 1, 1949 with the Electrotypers' Union, AFL, and a second wholly-owned subsidiary, Quality Park Box Co., Incorporated has a union shop agreement with the Pulp, Sulphite & Paper Mill Workers' Union, AFL, entered into June 15, 1949.

These unions represent all factory employees except those of Consolidated Printing Ink Company, which is operating as an open shop. Relations between the Company and its subsidiaries and their employees have been very satisfactory; there having been no labor stoppages or other serious controversies in the entire history of the Company and its subsidiaries.

As of February 1, 1950, the Company and its subsidiaries had approximately 4,800 employees.

LITIGATION

The Company and its subsidiaries are involved in no litigation which may affect the income from, title to, or possession of, any of their property.

FINANCIAL STATEMENTS

The following financial statements are included in this application:

1. Certificate of Ernst & Ernst, independent public accountants, for the years ended January 31, 1948 and 1949.
2. Certificate of M. B. House, Controller of the Company, with respect to the year ended January 31, 1950.
3. Statements of Consolidated Financial Position as of January 31, 1948, 1949 and 1950.
4. Statements of Consolidated Earnings for the years ended January 31, 1948, 1949 and 1950.
5. Statements of Consolidated Capital Surplus and Accumulated Earnings for the years ended January 31, 1948, 1949 and 1950.
6. Notes to Financial Statements.

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS.

Board of Directors,
Brown & Bigelow,
St. Paul, Minnesota.

We have examined the statements of consolidated financial position of BROWN & BIGELOW and its subsidiaries as of January 31, 1948, and January 31, 1949, and the related statements of consolidated earnings and consolidated accumulated earnings for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and related statements of earnings and accumulated earnings present fairly the consolidated financial position of BROWN & BIGELOW and its subsidiaries at January 31, 1948, and January 31, 1949, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis.

ERNST & ERNST
Certified Public Accountants.

Saint Paul, Minnesota
February 28, 1950, as of
March 15, 1949

CERTIFICATE OF CONTROLLER

The undersigned certifies that the consolidated financial statements of the Company and its subsidiaries for the year ended January 31, 1950, included herein, fairly present the results of operation and the position of the Company and its subsidiaries for said period, subject, however, to audit. Audited figures are expected to be available within 30 days.

M. B. HOUSE
Controller

St. Paul, Minnesota
February 28, 1950

BROWN & BIGELOW AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

ASSETS	January 31, 1948	January 31, 1949	January 31, 1950 (without audit)
CURRENT ASSETS:			
Cash (including restricted deposits of \$6,596 at January 31, 1949).....	\$ 907,804	\$ 5,798,018	\$ 5,790,169
U. S. Government securities—at cost and accrued interest.....	30,202	—	—
Trade accounts receivable.....	\$ 5,580,809	\$ 6,594,164	\$ 7,753,247
Less allowances	606,500	722,000	832,785
	<u>\$ 4,974,309</u>	<u>\$ 5,872,164</u>	<u>\$ 6,920,462</u>
Inventories—at the lower of cost (first in—first out principle) or replacement market:			
Finished product and work in process	\$ 2,167,367	\$ 1,825,485	\$ 1,812,246
Raw materials and manufacturing supplies	2,348,356	1,799,270	1,466,122
In transit	109,039	81,159	57,666
	<u>\$ 4,624,762</u>	<u>\$ 3,705,914</u>	<u>\$ 3,336,034</u>
Prepaid expenses:			
Commissions	\$ 1,500,521	\$ 1,471,114	\$ 1,343,756
Insurance, royalties, and other prepaid expenses.....	93,543	127,060	180,851
	<u>\$ 1,594,064</u>	<u>\$ 1,598,174</u>	<u>\$ 1,524,607</u>
TOTAL CURRENT ASSETS.....	<u>\$12,131,141</u>	<u>\$16,974,270</u>	<u>\$17,571,272</u>
INVESTMENTS AND OTHER ASSETS:			
Investment in capital stock of another company—at cost.....	\$ 49,810	\$ 49,810	\$ 49,810
Cash surrender value of life insurance for officer's retirement compensation (contra).....	214,940	243,747	273,933
Sundry accounts and advances, less allowance of \$2,500.....	10,612	13,074	7,471
Accounts receivable from officers.....	5,150	—	—
Allowed claims for prior years unemployment taxes, applicable against future unemployment taxes (contra)	102,142	52,298	31,281
	<u>\$ 382,654</u>	<u>\$ 358,929</u>	<u>\$ 362,495</u>
PROPERTY, PLANT AND EQUIPMENT:			
Land—on the basis of independent appraisal in 1929 (including appreciation of \$230,681), plus subsequent additions at cost.....	\$ 503,447	\$ 426,242	\$ 426,742
Buildings, machinery, and equipment on the basis of cost.....	5,770,776	6,458,632	6,780,099
Less allowances for depreciation and amortization.....	3,032,518*	3,204,538*	3,416,022*
	<u>\$ 3,241,705</u>	<u>\$ 3,680,336</u>	<u>\$ 3,790,819</u>
DEFERRED CHARGES:			
Unamortized debenture expense.....	\$ —	\$ 90,082	\$ 74,645
Unamortized leasehold expense.....	—	12,267	11,414
	<u>\$ —</u>	<u>\$ 102,349</u>	<u>\$ 86,059</u>
	<u><u>\$15,755,500</u></u>	<u><u>\$21,115,884</u></u>	<u><u>\$21,810,645</u></u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses:			
Trade accounts	\$ 1,392,509	\$ 927,738	\$ 904,426
Salaries, wages, and other compensation.....	2,018,033	1,109,675	818,652
Income taxes withheld from employees.....	264,614	344,763	286,383
Pay roll taxes	73,888	83,588	103,211
Accrued local taxes.....	244,008	268,168	274,621
Accrued interest	—	33,333	29,700
Accrued bonuses	250,671	242,776	235,365
Federal and state taxes on income—estimated.....	1,680,000	1,923,000	1,984,040
Current maturity of sinking fund debentures.....	—	300,000	300,000
	<u>\$ 5,923,723</u>	<u>\$ 5,233,041</u>	<u>\$ 4,936,398</u>
LONG-TERM DEBT—NOTE B:			
4% sinking fund debentures.....	\$ —	\$ 5,000,000	\$ 4,455,000
Less current maturity included in current liabilities.....	—	300,000	300,000
	<u>\$ —</u>	<u>\$ 4,700,000</u>	<u>\$ 4,155,000</u>
RESERVES:			
For compensation liability insurance.....	\$ 10,000	\$ 10,000	\$ 10,000
For product guarantee.....	12,500	12,500	12,500
For possible future pensions to employees.....	50,000	50,000	50,000
For officer's retirement compensation (contra).....	214,940	243,747	273,933
	<u>\$ 287,440</u>	<u>\$ 316,247</u>	<u>\$ 346,433</u>
DEFERRED INCOME:			
Allowed unemployment tax credits available in future (contra).....	\$ 102,142	\$ 52,298	\$ 31,281
CAPITAL:			
Preferred stock, 6% cumulative, par value \$100 per share, redeemable at \$110 per share:			
Authorized and issued—25,000 shares.....	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Retired 5,920+ shares	\$ 592,055	\$ 592,055	\$ 592,055
In treasury 634+ shares at January 31, 1948 and January 31, 1949 and 621+ shares at January 31, 1950	63,436	63,436	62,136
	<u>\$ 655,491</u>	<u>\$ 655,491</u>	<u>\$ 654,191</u>
	<u>\$ 1,844,509</u>	<u>\$ 1,844,509</u>	<u>\$ 1,845,809</u>
Common stock, par value \$1 per share:			
Authorized 2,000,000 shares, issued and outstanding 1,263,645 shares.....	1,263,645	1,263,645	1,263,645
Capital surplus	1,213,380	1,213,380	2,602,021
Accumulated earnings—Note B	5,120,661	6,492,764	6,630,058
	<u>\$ 9,442,195</u>	<u>\$10,814,298</u>	<u>\$12,341,533</u>
	<u><u>\$15,755,500</u></u>	<u><u>\$21,115,884</u></u>	<u><u>\$21,810,645</u></u>

See accompanying notes to financial statements.

*Indicates red figures.

BROWN & BIGELOW AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED EARNINGS

	Year Ended January 31,		
	1948	1949	1950 (without audit)
Net sales	\$34,641,956	\$36,441,890	\$36,037,678
Cost of products sold	16,362,482	17,208,555	16,142,112
	<u>\$18,279,474</u>	<u>\$19,233,335</u>	<u>\$19,895,566</u>
Expenses:			
Selling	\$10,526,227	\$10,750,997	\$10,984,766
Administrative and general	3,555,723	3,527,676	3,586,509
Provision for doubtful accounts	419,371	291,623	409,025
	<u>\$14,501,321</u>	<u>\$14,570,296</u>	<u>\$14,980,300</u>
	\$ 3,778,153	\$ 4,663,039	\$ 4,915,266
Other income and credits:			
Royalties	52,025	92,360	73,414
Profit on disposal of depreciable assets	2,612	64,858	2,579
Dividends received	9,000	9,000	9,000
Interest	2,968	1,363	205
Unemployment insurance tax credits	28,690	55,271	21,016
Adjustment of prior years depreciation	—	—	41,760
Sundry	37,062	55,189	42,813
	<u>\$ 3,910,510</u>	<u>\$ 4,941,080</u>	<u>\$ 5,106,053</u>
Other deductions:			
Interest expense	\$ 65,262	\$ 219,464	\$ 195,439
Premiums on life insurance on officer, less increase in cash value	3,618*	4,857*	6,235*
Provision for officer's retirement compensation	27,568	28,807	23,950
Sundry	46,970	63,074	53,417
	<u>\$ 136,182</u>	<u>\$ 306,488</u>	<u>\$ 266,571</u>
Earnings Before Taxes on Income	\$ 3,774,328	\$ 4,634,592	\$ 4,839,482
Taxes on Income:			
Provision for the year—estimated:			
Federal	\$ 1,466,500	\$ 1,809,300	\$ 1,866,100
State	49,500	71,610	73,093
Over *—under provision for prior year	9,333*	7,263	—
	<u>\$ 1,506,667</u>	<u>\$ 1,888,173</u>	<u>\$ 1,939,193</u>
Net Earnings	<u>\$ 2,267,661</u>	<u>\$ 2,746,419</u>	<u>\$ 2,900,289</u>
Provision for depreciation and amortization included in costs and expenses	\$ 221,669	\$ 307,910	\$ 311,201

See accompanying notes to financial statements.

*Indicates red figures.

BROWN & BIGELOW AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CAPITAL SURPLUS AND ACCUMULATED EARNINGS

	Year Ended January 31,		
	1948	1949	1950 (without audit)
CAPITAL SURPLUS:			
Balance at beginning of year	\$ 497,029	\$ 1,213,380	\$ 1,213,380
Additions:			
Amount assigned in excess of par value of shares, to Common Stock issued for all outstanding Capital Stock of three acquired subsidiaries	1,161,880		
Proceeds of sale of Common Stock repurchase options, less applicable taxes	51,500		
Amount transferred from accumulated earnings by action of Board of Directors representing earned deficit and dividends charged to capital surplus in prior years			1,388,641
	<u>\$ 1,710,409</u>	<u>\$ 1,213,380</u>	<u>\$ 2,602,021</u>
Deductions:			
Premium on purchase of Preferred Stock for treasury	\$ 40		
Amount transferred to Capital Stock account in connection with restatement of Common Shares	496,989		
	<u>\$ 497,029</u>	<u>\$ —</u>	<u>\$ —</u>
Balance at end of year	<u>\$ 1,213,380</u>	<u>\$ 1,213,380</u>	<u>\$ 2,602,021</u>
ACCUMULATED EARNINGS:			
Balance at beginning of year	\$ 3,931,635	\$ 5,120,661	\$ 6,492,764
Additions:			
Net earnings for the year	2,267,661	2,746,419	2,900,289
Unused reserve for future inventory market price declines	125,000		
	<u>\$ 6,324,296</u>	<u>\$ 7,867,080</u>	<u>\$ 9,393,053</u>
Deductions:			
Cash dividends declared:			
On Preferred Stock (\$6 per share)	\$ 110,744	\$ 110,671	\$ 110,709
On Common Stock:			
(\$2 per share) (Prior to 10 for 1 split)	220,000		
(\$1 per share)	—	1,263,645	1,263,645
Amount transferred to Capital Stock account in connection with restatement of Common shares	53,011		
Cost of investment in subsidiaries in excess of underlying net assets as shown by their books at the date of acquisition	789,047		
Cost in connection with recapitalization and registration of Common Stock	30,833		
Amount transferred to capital surplus	—		1,388,641
	<u>\$1,203,635</u>	<u>\$ 1,374,316</u>	<u>\$ 2,762,995</u>
Balance at end of year	<u>\$ 5,120,661</u>	<u>\$ 6,492,764</u>	<u>\$ 6,630,058</u>

See accompanying notes to financial statements.

BROWN & BIGELOW AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Note A—Principles of Consolidation:

The consolidated financial statements include the accounts of the Company's four wholly-owned subsidiaries, three of which were acquired in December, 1947. Net earnings of those subsidiaries included in the earnings statement amounted to \$15,119, \$176,760 and \$217,903 for the fiscal years ended January 31, 1948, 1949, and 1950, respectively. Combined assets and liabilities of the subsidiaries at January 31, 1950, amounted to \$820,416 and \$199,233 respectively. At January 31, 1950, the carrying amount for investment in the subsidiaries was \$44,579 less than the combined net assets of the subsidiaries as shown by their books. Such excess is included in consolidated accumulated earnings. All inter-company accounts, including estimated inter-company profits in inventories, have been eliminated in consolidation.

Note B—Long-Term Debt:

The terms of the debenture issue, on which final payment is due June 1, 1963:

(1) Require minimum annual payments of \$300,000 beginning June 1, 1949, and beginning June 1, 1951, additional annual payments of 10% of net income in excess of \$300,000, to a maximum total payment of \$600,000 in any one year. (Similar additional payments based on income are permitted for the years 1949 and 1950.)

(2) Permit the Company at its option to make further additional payments at specified premiums.

(3) Contain, among other things, provisions relating to maintenance of working capital, expenditures for capital assets, bank loans, etc.

(4) Contain provisions limiting payment of dividends and repurchase of capital stock. Under these provisions, accumulated earnings unrestricted for such purposes at January 31, 1950, amounted to \$1,149,386.

BROWN & BIGELOW AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—Continued

Note C—Property, Plant and Equipment:

The property, plant and equipment accounts include approximately \$1,586,000, \$1,549,000 and \$1,516,825 at January 31, 1948, 1949, and 1950 representing facilities still in use but which have been fully amortized. It is the policy of the companies to remove from the accounts the cost and accumulated allowances for depreciation or amortization as to items disposed of, and to include in the earnings statement the profit or loss on such dispositions.

The policy of the Company and its subsidiaries is to provide, on the straight line method, for depreciation of physical properties at rates used for purposes of federal taxes on income with a minor exception. The annual rates applied to the major classes of assets are as follows:

Buildings	2 to 5%
Machinery and equipment	6% %
Office furniture and equipment.....	12½ or 20%

Note D—Additional Compensation:

For the years ended January 31, 1948, 1949, and 1950 the following amounts of additional compensation as determined by executive employees and officers, with the approval of the Board of Directors, were paid or provided for:

	January 31,		
	1948	1949	1950
Officers and Directors	\$ 244,000	\$130,250	\$124,325
Employees	661,100	368,425	413,300
Others	124,875	63,975	60,525
Total	<u>\$1,029,975</u>	<u>\$562,650</u>	<u>\$598,150</u>

Note E—Dividends:

Dividends of \$27,668 and \$315,911 on preferred and common stock were declared subsequent to January 31, 1950.

Note F—Financial Statements for Year Ended January 31, 1950:

The financial statements for the year ended January 31, 1950, to which certain of the foregoing notes or parts thereof relate, are included without audit.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) This paragraph has been deleted inasmuch as the requirements of Chicago transfer and registrar facilities were waived by the Midwest Stock Exchange.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of St. Paul, Minnesota.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

There has been filed with the Midwest Stock Exchange the opinion of Messrs. Oppenheimer, Hodgson, Brown, Baer and Wolff, Attorneys-at-Law, W-1781 First National Bank Building, St. Paul 1, Minnesota, to the effect that the Company has been duly incorporated, is a validly existing corporation under the laws of the State of Minnesota, and is duly authorized to transact business in the State of Minnesota wherein its principal office is located; that the 1,263,645 shares of Common Stock, application for the listing of which is hereby made, have been validly issued and are fully paid and non-assessable shares of Common Stock of the Company, with no personal liability attached to the holders of such shares under the laws of the State of Minnesota, the State of incorporation of the Company; that the shares covered by this listing application were at the times of their issuance either registered under the Securities Act of 1933, as amended, or exempt from registration thereunder. Mr. W. H. Oppenheimer, a member of the firm of Oppenheimer, Hodgson, Brown, Baer and Wolff, is a director of the Company.

GENERAL INFORMATION

The Company's fiscal year ends on January 31.

The Principal executive office of the Company is at 1286 University Avenue, St. Paul 4, Minnesota.

The Statutory address of the Company in Minnesota is 1286 University Avenue, St. Paul 4, Minnesota.

Under the By-Laws of the Company the annual meeting of the Stockholders is held at the offices of the Company, 1286 University Avenue, Saint Paul 4, Minnesota, on the second Tuesday of May each year. A majority of the voting stock constitutes a quorum.

The Transfer Agents for the Common Stock of the Company are:

St. Paul, Minnesota.....	First Trust Company of Saint Paul 5th Floor First National Bank Bldg. St. Paul (1) Minnesota.
New York, N. Y.....	The National City Bank of New York 55 Wall Street New York (55) New York

The Registrars for the Common Stock of the Company are:

St. Paul, Minnesota.....	The First National Bank of Saint Paul St. Paul (1) Minnesota.
New York, N. Y.....	The Chase National Bank of the City of New York Pine Street Corner of Nassau, New York (15) New York.

Lonergan Manufacturing Company

(A Michigan Corporation)

Class B Common Stock

(Par Value \$1.00 Per Share)

Prepared by the Company
for

Midwest Stock Exchange

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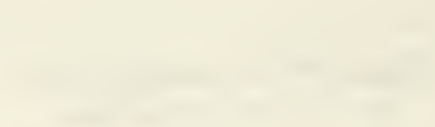
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UNIVERSITY OF ILLINOIS

Lonergan Manufacturing Company has made application to list 337,000 shares of the Class B common stock, par value \$1.00 per share on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on February 27, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED

THE UNIVERSITY OF CHICAGO



THE UNIVERSITY OF CHICAGO



Lonergan Manufacturing Company

(A Michigan Corporation)

Class B Common Stock

(Par Value \$1.00 Per Share)

Lonergan Manufacturing Company has made application to list 337,000 shares of its Class B common stock, par value \$1.00 per share, on the Midwest Stock Exchange, the Executive Committee of which approved such application on February 27, 1950.

CAPITALIZATION

The capitalization of the company, as of November 30, 1949, was as follows:

Capital Stock	Number of Shares Authorized	Number of Shares Outstanding
Class A common stock, par value \$5.00 per share.....	21,931	21,931
Class B common stock, par value \$1.00 per share.....	500,000*	337,000

*Of the unissued 163,000 shares of such Class B common stock, none is reserved for any purpose or purposes and there are no contracts, agreements or options for the purchase or sale of any of such unissued stock.

DESCRIPTION OF CLASS B COMMON STOCK

Each holder of Class B common stock is entitled to one vote for each share of such stock in his name on the books of the corporation and only holders of Class B stock are entitled to vote except that Class A shareholders are entitled to vote equally with Class B shareholders if dividends are not paid on the Class A stock for a period of sixty days after payment becomes due, it being provided that holders of Class A stock shall receive dividends at the rate of 30¢ per share per annum, quarterly, on the first days of January, April, July and October, the same being cumulative. Dividends on Class A stock are not presently in arrears nor have they been during a period of upwards of three years heretofore. Class A shareholders also have the sole right to vote at stockholders' meetings at which obligations or securities, mortgages, pledges and liens superior to the rights of holders of Class A stock are to be created, or for the increase of such Class A stock or the giving of guarantys, creation of subsidiaries, sale or lease of a major portion of assets or dissolution of the corporation.

Dividend rights for Class B stock are share-for-share when and as declared by the Board of Directors in such amounts as may be by them determined. No pre-emptive right exists as to Class B stock nor are there conversion rights, redemption rights, sinking fund provisions nor is there any liability for further calls or assessment for Class B stock by the company.

In addition to dividend rights of Class A common stock, such stock has preference over Class B common stock in distribution upon dissolution, liquidation or winding up, whether voluntary or involuntary, to the extent of \$5.50 per share, plus accrued and unpaid dividends. All or any part of the Class A stock is subject to redemption at the option of the Board of Directors by lot or in any manner determined by said Board upon any dividend date at \$5.50 per share plus accrued and unpaid dividends; and no shares of Class A stock so redeemed may be reissued. It is provided that the company agrees to redeem all of the Class A common stock then outstanding at the redemption price on July 1, 1952. Class A stockholders are not entitled to pre-emptive rights to subscribe for or purchase any new or additional issue of stock of any Class of the company; nor does there exist any liability for further cost or assessment for such shares of such Class A stock. Such description of such Class A stock is given for the purpose of fully describing Class B stock, for which the application for listing and registration of 337,000 shares has been made.

HISTORY AND BUSINESS

Lonergan Manufacturing Company was organized as a Michigan corporation on February 4, 1937. Previously, Lonergan Mfg. Co. Inc. had been organized and operating in La Porte, Indiana since February of 1933 by S. J. Lonergan, the present President of the company. For fifteen years prior to that time, Mr. Lonergan had been associated with Bastian-Morley Company of La Porte, a manufacturer of water heaters and heating appliances.

The company manufactures and sells oil burning heater equipment and units, principally oil burning space heaters, but also oil burning pot-type furnaces, all of the same being principally utilized for heating of small homes, business offices, restaurants and, generally, for such purposes as are adaptable to space heaters. It is currently engaged in development of similar heaters for the use of gas. It also manufactures and sells window exhaust fan units for residential and other installation. These products are merchandised partially through the medium of chain stores and mail order houses and partially by forty-five independent distributors which supply retail outlets throughout the United States. Normally, some 60% of sales arise through the mail order houses and chain stores and the balance through the group distributors. Included in the chain stores and mail order houses referred to are: Montgomery Ward & Co., Gamble-Skogmo Inc., Western Auto Supply Co., Kansas City, Western Auto Supply Co., Los Angeles, Kalamazoo Stove and Furnace Company and Firestone Tire & Rubber Co.

In the Fall of 1949, the company acquired Refrigeration Corporation of America, a New Jersey corporation, and the Refrigeration Division of Noma Electric Company, which latter it presently operates at Albion, Michigan for the manufacture and sale of commercial refrigeration units and equipment, the same being used for grocery stores, markets and ice cream establishments in connection with the sale of frozen foods, ice cream and other frozen products. Such products are marketed principally through wholesale ice cream and frozen food distributors.

Development of the window exhaust fan two years ago was for the purpose of providing constant use of the company's production facilities to offset the seasonal nature of the heating business and the acquisition of the refrigeration unit line, known as "Frigid Freeze," was another step taken by the management to provide continuous, year-around use of the plant facilities insofar as possible.

The company maintains an up-to-date laboratory to keep abreast of and pioneer new developments in both heating and refrigeration fields.

PROPERTIES

The company's plant at Albion, Michigan consists of some 210,000 feet, of which approximately half is devoted to production in a single storey, brick, wood and steel monitor-type construction building with paint shop on the second floor of a portion of the main plant. The balance is devoted to warehousing space in two warehouses. Machinery is arranged for modern production and assembly procedure and included in the facilities are laboratories for testing and developmental work on new heating units as well as refrigeration production. One warehouse was built in 1949 and certain new bays were constructed on the plant in 1947 and 1948.

The plant stands on approximately twenty-five acres owned by the company in fee and is served by railroad sidings of the New York Central Railroad. It is also a short distance from main trunk line highways, providing trucking facilities.

SUBSIDIARY

The company owns all of the issued and outstanding capital stock of Refrigeration Corporation of America, a New Jersey corporation, consisting of ten shares of \$100 par value which is carried as an investment by the company. Such subsidiary does not operate, the company producing and selling refrigeration equipment, as outlined above, as a division of its own.

MANAGEMENT AND CONTROL

The names and addresses of all of the officers and directors of the company are as follows:

Name of Director or Officer	Complete Mailing Address	Positions and Offices Held
S. J. Lonergan	Lonergan Manufacturing Company, Albion, Michigan.	President and Director.
S. J. Lonergan, Jr.	Lonergan Manufacturing Company, Albion, Michigan.	Vice-President and Director.
Albus Durham	Lonergan Manufacturing Company, Albion, Michigan.	Secretary, Treasurer.
George P. Morriss	Lonergan Manufacturing Company, Albion, Michigan.	Assistant Secretary and Treasurer.
Raymond H. Gardner	921 Maple Street, Albion, Michigan.	Director.
Edwin C. Hetherwick	Hayes Industries, Inc. 437 Fern Avenue, Jackson, Michigan.	Director.
Chester W. Kulp	100 West Monroe Street, Chicago 3, Illinois.	Director.
Don T. McKone	McKone, Badgley, McNally & Kendall 1100 Jackson City Bank Building Jackson, Michigan.	Director.
Ivan Pouschine	Cohu & Co., One Wall Street New York 5, New York	Director.
Charles T. Sabel	100 West Monroe Street, Chicago 3, Illinois.	Director.

DIVIDEND RECORD

Dividends upon the Class A stock have been regularly declared and paid during the past three years and, as stated above, none are in arrears. A stock dividend on the Class B stock of two and one-half shares per share was declared and issued on July 30, 1946. No dividends have been declared and paid on the Class B stock with the exception of during the years 1947-1948 when the following dividends were declared and paid: July, 1947—10¢ per share; October, 1947—20¢ per share; November, 1947—25¢ per share; March, 1948—10¢ per share; July, 1948—10¢ per share and November, 1948, 20¢ per share.

FINANCIAL STATEMENTS

Financial statements, notes and supporting data are furnished as follows:

Accountants' Certificates.

Balance Sheet, November 30, 1949.

Statement of Profit and Loss for three years ended November 30, 1949.

Statement of surplus for three years ended November 30, 1949.

Notes to Financial Statements for three years ended November 30, 1949.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Lonergan Manufacturing Company:

We have examined the statements of profit and loss, capital surplus and earned surplus of Lonergan Manufacturing Company for the years ended November 30, 1948 and 1947, and the schedules listed in the Index to Financial Statements in so far as they relate to the years ended November 30, 1948 and 1947. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of profit and loss, capital surplus and earned surplus present fairly the results of operations of Lonergan Manufacturing Company for the years ended November 30, 1948 and 1947, in conformity with generally accepted accounting principles applied on a consistent basis; and the supporting schedules in so far as they relate to the years ended November 30, 1948 and 1947 present fairly the information required to be included therein and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

Detroit, Michigan
January 26, 1949.

AUDITORS' CERTIFICATE

To the Board of Directors,
Lonergan Manufacturing Company:

We have examined the balance sheet of Lonergan Manufacturing Company (a Michigan corporation) as of November 30, 1949 and the related statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the financial position of Lonergan Manufacturing Company as of November 30, 1949 and the results of its operations for the year then ended and the supporting schedules as listed in the accompanying index, insofar as they relate to the year ended November 30, 1949, present fairly the information required to be stated therein, and all were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Detroit, Michigan,
January 25, 1950.

ARTHUR ANDERSEN & CO.

LONERGAN MANUFACTURING COMPANY

Balance Sheet—November 30, 1949

ASSETS

CURRENT ASSETS:

Cash.....		\$ 582,928.23
Receivables—		
Customers' accounts.....	\$186,930.81	
Other.....	3,587.42	
Reserve for doubtful accounts (Schedule XII).....	5,000.00*	185,518.23
Inventories, at lower of cost or market (Note 1)—		
Finished goods.....	\$421,333.12	
Work in process.....	9,814.56	
Raw materials and purchased parts.....	89,401.47	520,549.15
Prepaid insurance, etc.....		15,699.48
Total current assets.....		<u>\$1,304,695.09</u>

DEFERRED TOOLS, DIES AND JIGS, LESS AMORTIZATION.....	15,120.00
INVESTMENT IN WHOLLY OWNED SUBSIDIARY NOT CONSOLIDATED.....	1,000.00

PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 4):

	Cost (Schedule V)	Reserve for depreciation (Schedule VI)	Net	
Land and land improvements.....	\$ 67,188.31	\$ 3,750.60	\$ 63,437.71	
Buildings.....	250,336.76	48,375.39	201,961.37	
Machinery and equipment.....	362,766.93	95,361.61	267,405.32	
Furniture and fixtures.....	28,181.73	7,822.44	20,359.29	
Construction in process.....	66,585.49	—	66,585.49	
	<u>\$775,059.22</u>	<u>\$155,310.04</u>	<u>\$619,749.18</u>	619,749.18

PATENTS AND GOODWILL (Note 4).....	1.00
	<u>\$1,940,565.27</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—		
Trade (including \$339,711.75 in respect of refrigeration units purchased in connection with acquisition of refrigeration division—payable \$30,872.25 in December 1949 and \$308,839.50 as units are sold but before October 10, 1950).....	\$457,498.67	
Payroll deductions for withheld taxes, etc.....	3,850.57	\$ 461,349.24
Accrued liabilities—		
Wages, salaries and commissions.....	\$ 20,786.04	
Social security taxes, etc.....	5,924.07	26,710.11
Provision for Federal income taxes.....		9,914.72
Dividend payable January 10, 1950 on Class A Common Stock.....		1,644.83
Total current liabilities.....		<u>\$ 499,618.90</u>

CAPITAL STOCK AND SURPLUS:

Class A Common Stock—\$.30 cumulative dividend per annum, par value \$5.00 per share, redeemable on July 1, 1952 or prior; entitled in redemption or liquidation to \$5.50 per share (aggregating \$120,620.50 on shares outstanding at November 30, 1949) plus accrued dividends; authorized and issued 21,931 shares (Schedule XIII).....	\$109,655.00	
Class B Common Stock—par value \$1.00 per share; authorized 500,000 shares; issued 337,000 shares (Schedule XIII).....	337,000.00	
Capital surplus (per accompanying statement).....	156,746.08	
Earned surplus (per accompanying statement).....	837,545.29	1,440,946.37
		<u>\$1,940,565.27</u>

*Denotes deduction.

The accompanying notes are an integral part of this balance sheet.

LONERGAN MANUFACTURING COMPANY

STATEMENT OF PROFIT AND LOSS

For the Three Years Ended November 30, 1949

	Year ended November 30		
	1947	1948	1949
NET SALES.....	\$3,842,056.28	\$4,235,194.21	\$1,961,712.31
COST OF SALES (Notes 1 and 2).....	2,562,827.28	2,941,603.45	1,646,461.11
Gross profit on sales.....	\$1,279,229.00	\$1,293,590.76	\$ 315,251.20
SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES (Notes 2 and 3):			
Selling and general and administrative expenses.....	\$ 367,730.13	\$ 549,085.54	\$ 335,886.27
Provision for doubtful accounts (Schedule XII).....	1,100.10	5,679.43	1,383.49
	\$ 368,830.23	\$ 554,764.97	\$ 337,269.76
Net profit or loss* from operations.....	\$ 910,398.77	\$ 738,825.79	\$ 22,018.56*
OTHER INCOME:			
Profit or loss* on sale or abandonment of dies, machinery, equipment, etc.	\$ 3,852.75	\$ 2,005.05*	\$ 34,329.13
Refunds of insurance, etc. applicable to prior years.....	—	—	29,783.39
Miscellaneous.....	1,199.46	5,054.62	—
Total other income.....	\$ 5,052.21	\$ 3,049.57	\$ 64,112.52
INTEREST EXPENSE.....	\$ 915,450.98	\$ 741,875.36	\$ 42,093.96
	158.97	1,570.01	2,807.03
Net profit before provision for Federal income taxes.....	\$ 915,292.01	\$ 740,305.35	\$ 39,286.93
PROVISION FOR FEDERAL INCOME TAXES.....	346,632.21	282,000.00	11,000.00
Net profit.....	\$ 568,659.80	\$ 458,305.35	\$ 28,286.93

Reference is made to the accompanying notes which are an integral part of this statement of profit and loss.

LONERGAN MANUFACTURING COMPANY

STATEMENT OF SURPLUS

For the Three Years Ended November 30, 1949

	Year ended November 30		
	1947	1948	1949
CAPITAL SURPLUS			
Balance at beginning of period.....	\$158,278.93	\$156,706.27	\$156,746.08
Add—Excess of par value of 8,069 shares of Class A capital stock retired, over the cost of acquiring the shares.....	—	319.25	—
	\$158,278.93	\$157,025.52	\$156,746.08
Deduct—Expenses paid during the year applicable to the issuance of Class B stock in 1946.....	1,572.66	279.44	—
Balance at close of period.....	\$156,706.27	\$156,746.08	\$156,746.08
EARNED SURPLUS			
Balance at beginning of period.....	\$118,958.37	\$467,854.74	\$815,837.68
Add—			
Net profit from statement of profit and loss.....	\$568,659.80	\$458,305.35	\$ 28,286.93
Amount restored to earned surplus upon elimination of reserve for future national advertising.....	—	27,663.10	—
Adjustment of prior years' allowances for Federal taxes on income.....	—	6,854.15	—
	\$568,659.80	\$492,822.60	\$ 28,286.93
	\$687,618.17	\$960,677.34	\$844,124.61
Deduct—			
Reserve for future national advertising.....	\$ 27,663.10	\$ —	\$ —
Cash dividends—			
Class A stock (per share—1947—22½¢; 1948—37½¢; 1949—30¢).....	6,750.00	10,039.66	6,579.32
Class B stock (per share—1947—55¢; 1948—40¢).....	185,350.33	134,800.00	—
	\$219,763.43	\$144,839.66	\$ 6,579.32
Balance at close of period.....	\$467,854.74	\$815,837.68	\$837,545.29

LONERGAN MANUFACTURING COMPANY

NOTES TO FINANCIAL STATEMENTS

Three Years Ended November 30, 1949

- (1) The inventories at the beginning and end of the periods under review, used in the computation of cost of sales, were as follows:

Date	Amount
November 30, 1946.....	\$236,604.21
November 30, 1947.....	249,716.08
November 30, 1948.....	513,185.73
November 30, 1949.....	520,549.15

The inventories are priced at the lower of cost (refrigeration inventories at the actual cost of specific units; other inventories at standard cost which, in general, represents current cost) or market.

- (2) During the period under review, the company has followed the policy of providing for depreciation of the cost of property plant and equipment at the following annual rates:

Major Classification	Rate
Land improvements.....	5%
Buildings.....	2½%—4%—6¾%
Machinery and equipment.....	6¾%—20%
Office furniture and fixtures.....	6¾%

Items of property retired or otherwise disposed of are charged to the depreciation reserves to the extent that depreciation has been provided thereon and any differences between such amounts and the cost of property retired, less salvage, are taken up in profit and loss.

Expenditures for maintenance, repairs and minor betterments are charged to costs and expenses.

- (3) In 1946, the company adopted a bonus plan which provides that a bonus equal to 6 per cent of the earnings for each fiscal year, before allowances for all Federal income taxes, shall be distributed to the executive officers and other key personnel of the company, the amounts distributable to each individual to be determined by the president of the company with the advice, consent and approval of the board of directors. The amounts charged to profit and loss were as follows: Year ended November 30, 1947—\$58,422.89, 1948—\$46,969.17, 1949—\$2,357.22.
- (4) The amounts at which property, plant and equipment and intangible assets are stated do not purport to be present or realizable values.
- (5) The company has agreed, in connection with the acquisition of its refrigeration division as of September 30, 1949, to make future payments for certain dies, tools, jigs and fixtures in amounts equivalent to 25% of net profits, as defined, of such refrigeration division or, in certain circumstances, 1% of net sales of refrigeration products, for the period to November 30, 1951 and for each fiscal year thereafter, ending November 30, 1956, subject to the provision that, in certain circumstances, the company shall continue to make payments based upon net profits for each of the three fiscal years ending November 30, 1959.

AGREEMENTS

The company has agreed with the Midwest Stock Exchange as follows:

- To notify the Exchange promptly of any change in the general character or nature of its business.
- To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

McKone, Badgley, McNally & Kendall, 1100 Jackson City Bank Building, Jackson, Michigan, counsel to the company, have given their opinion that the company has been duly and validly organized under the laws of the State of Michigan and is presently valid and existing in good standing under such laws; that 337,000 shares of Class B common stock, \$1.00 par value of the company, presently outstanding, have been validly authorized and issued and constitute fully paid non-assessable shares of the company with no personal liability attaching to the ownership thereof. Mr. Don T. McKone of said Firm, is a Director of the company.

GENERAL INFORMATION

Transfer Agent: Harris Trust and Savings Bank, Chicago, Illinois.

Registrar: The First National Bank of Chicago, Chicago, Illinois.

The fiscal year of the company ends November 30th of each year.

The annual meeting of stockholders is held at the principal offices of the company at 704 North Clark Street, Albion, Michigan on the last Saturday in February in each year.

General Box Company

(A Delaware Corporation)

Capital Stock

(Par Value \$1.00 Per Share)

THE LIBRARY OF THE

MAR 29 1951

UNIVERSITY OF ILLINOIS

Prepared by the Company

for

Midwest Stock Exchange

General Box Company has made application to list 1,922,553 shares of the Capital Stock of the par value of \$1.00 per share on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on June 13, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY FURNISH INFORMATION IN CONNECTION WITH ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

General Box Company

(A Delaware Corporation)

Capital Stock

(Par Value \$1.00 Per Share)

General Box Company has made application to list 1,922,553 shares of its Capital Stock, par value \$1.00 per share, on the Midwest Stock Exchange, the Executive Committee of which approved such application on June 13, 1950.

CAPITALIZATION

The capitalization of the Company, as of December 31, 1949, was as follows:

Capital Stock	Number of Shares Authorized	Number of Shares Outstanding
Capital Stock, par value \$1.00 per share	3,000,000	1,922,553

DESCRIPTION OF CAPITAL STOCK

Each share of capital stock is entitled to one vote. However in all elections for directors the share holder is entitled to as many votes as shall equal the number of shares so held by him, multiplied by the number of directors to be elected; or he may cast all such votes for a single director or may distribute them among the number to be voted for, or any two or more of them, as he shall see fit.

Shares are entitled to dividends ratably, if, as and when declared by the Board of Directors and to liquidation rights in accordance with and subject to the laws of the State of Delaware. The loan agreement covering the serial 2½%, 3% and 3¾% notes provides, in part, that the Company will not pay any dividends, other than stock dividends, except out of its consolidated net earnings available for such purpose earned after December 31, 1947.

HISTORY AND BUSINESS

The Company was incorporated under the laws of the State of Delaware on April 26, 1922 for the principal purpose of developing the "wirebound box" business. A wirebound box is one made of thin sheet material using either rotary cut lumber, generally called veneer, or thin resawn lumber, which is fastened to cleats by means of binding wires and staples.

In addition to wirebound boxes the Company and its subsidiaries manufacture wooden boxes of every type and corrugated paper boxes. Products include industrial shipping containers in any size desired for household appliances, machinery, electrical equipment, automotive equipment, etc. Also wirebound boxes and crates for fruits, vegetables, poultry, meat packing and many other products, wirebound plywood hogsheads for curing and shipping tobacco, pallets and containers for material handling equipment, beverage cases including the "GENERALITE" container and corrugated paper containers and combination wood and corrugated boxes.

PROPERTIES

The General Box Company maintains a central management office in Chicago, Illinois and has manufacturing and sales plants in the following cities:

Cincinnati, Ohio
Denville, New Jersey
Detroit, Michigan
East St. Louis, Illinois

Kansas City, Missouri
Louisville, Kentucky
Prescott, Arkansas
Sheboygan, Wisconsin

Winchendon, Massachusetts

In addition General Box Company maintains a warehouse and sales office in Milwaukee, Wisconsin.

Continental Box Company, Inc. a 100% owned subsidiary of General Box Company has a manufacturing plant in Houston, Texas and a sales office in Dallas, Texas.

General Box Company of Mississippi, a 100% owned subsidiary of General Box Company has a manufacturing and sales plant in Meridian, Mississippi.

In addition General Box Company has raw material mills at the following places:

Beaumont, Texas
Gilbertown, Alabama
Luneta, Louisiana

Newark, Arkansas
Prescott, Arkansas
Hardin, Texas

Newton, Texas

The Company maintains two experimental laboratories, one at Chicago, Illinois and another at Denville, New Jersey for the purpose of improving its products, assisting its customers in solving their packing problems and developing uses for the products of the Company.

A brief description of the general character of the manufacturing properties is as follows:

The Cincinnati, Ohio plant consists of several buildings of frame and concrete construction the buildings covering an area of approximately 66,000 square feet, and the yards approximately 130,000 square feet. Served by four railroads.

The Denville, New Jersey plant consists of a steel, brick and concrete building of approximately 53,200 square feet. The plant was constructed to Company specification. The land and buildings are leased to the Company under a long term lease. The plant is served by The Delaware, Lackawanna & Western Railroad Company.

The Detroit, Michigan plant consists of a concrete, brick and steel building of approximately 32,500 square feet and a warehouse of approximately 21,875 square feet. The plant is served by a Michigan Central Railroad siding and has switching service for all other lines entering Detroit.

The East St. Louis, Illinois plant consists of several buildings principally of brick and concrete construction covering approximately 39,648 square feet and of yards of approximately 88,227 square feet. Served by the Terminal Railroad Association. Except for one building owned by the Company, the land and buildings are leased from

the Illinois State Trust Company, Trustee for a term expiring May 31, 1952 with an option to purchase the entire property at any time during the term of the lease for the sum of \$46,400.

The Kansas City, Missouri plant consists of seven separate buildings. Main buildings are of brick and concrete block construction. Other buildings are iron-clad or of frame construction. Served by St. Louis-San Francisco Railway Co. and Missouri Pacific Railroad switches. The land and all of the buildings (except two which the Company owns) are leased for a term ending the last day of February, 1977.

The Louisville, Kentucky property consists of two distinct plants. The 16th Street plant with adjoining yard covers an area of approximately 180,000 square feet and consists of a main manufacturing building of brick construction of approximately 61,712 square feet of floor area and separate lumber shed and veneer shed containing approximately 7,812 square feet of floor area. The 20th Street plant with adjoining yards covers an area of approximately 101,700 square feet and consists of a brick building, used as a corrugated paper box plant containing 23,744 square feet of floor space and a new asbestos covered paper warehouse of 40,000 square feet of floor space. The Louisville property is served by the Pennsylvania Railroad and through it by eight other railroads. With the exception of the new paper warehouse, the land, buildings and certain machinery are leased from the Embry Realty Company for a term ending on the last day of February, 1977.

The Milwaukee, Wisconsin warehouse is of steel and concrete block construction, containing approximately 25,000 square feet. The property is leased for ten years with option to extend for three five-year periods. Served by Chicago & Northwestern Railroad Company.

The Prescott, Arkansas plant consists of four separate buildings of frame construction containing approximately 31,250 square feet. Served directly by two railroads.

The Sheboygan, Wisconsin plant is of steel and concrete construction covering an area of approximately 31,600 square feet. Served by Chicago & Northwestern Railroad.

The Winchendon, Massachusetts plant consists of four buildings one of which is leased under a short term lease. All buildings are of frame construction and cover an area of approximately 39,675 square feet. Served by the Boston & Maine Railroad and through service by the Boston & Albany Railroad.

The Houston, Texas plant is owned and operated by the Continental Box Company, Inc. (a 100% owned subsidiary of General Box Company), and covers an area of approximately 75,000 square feet. The buildings are of concrete steel and corrugated iron construction. Served by the Southern Pacific Railroad.

The Meridian, Mississippi plant owned by the General Box of Mississippi (a 100% owned subsidiary of General Box Company) is a new modern, concrete, brick and steel building containing 147,569 square feet of floor space. In addition, the plant has a modern separate boiler room and incinerator. Served by the Southern Railway and Illinois Central Railroad.

SUBSIDIARY COMPANIES

The General Box Company owns all of the issued and outstanding capital stock of the following companies:

- Continental Box Company, Inc. (A Texas Corporation)
- General Box Company of Mississippi (A Mississippi Corporation)
- Embry Lumber Company (A Kentucky Corporation)
- Forrester-Nace Box Company (A Missouri Corporation)
- The Cincinnati Wirebound Box Company (An Ohio Corporation)
- Continental Wirebound Box Company (A Texas Corporation)

Excepting the first two corporations, all the corporations indicated herein are inactive and are maintained for the purpose of preserving the respective corporate names in the states of incorporations.

MANAGEMENT AND CONTROL

The names and addresses of all the officers and directors of the Company are as follows:

<u>Name of Director or Officer</u>	<u>Complete Mailing Address</u>	<u>Positions and offices held</u>
E. E. Ames	416 W. Wabash Avenue Crawfordsville, Indiana	Director and Chairman of the Board
Parkes Armistead	American National Bank Nashville, Tennessee	Director
F. E. Commiskey	P. O. Box 101 Cottonwood, Arizona	Director
J. A. Cragwall	1600 W. Eighth Street Kansas City, Missouri	Director, Vice President and Manager of Kansas City Plant
Ralph Cunningham	7175 Clayton Avenue Detroit, Michigan	Director, Vice President and Manager of Detroit Plant
Paul E. Duzeski	500 N. Dearborn Street Chicago, Illinois	Director, Secretary and General Counsel
N. W. Embry	500 N. Dearborn Street Chicago, Illinois	Director, President and General Manager
W. C. Embry	16th & Maple Streets Louisville, Kentucky	Director, Vice President and Manager of Louisville Plant
J. F. Ferguson	500 N. Dearborn Street Chicago, Illinois	Director, Vice President and Sales Manager
David B. Forrester	Box 747 Meridian, Mississippi	Director, Vice President and Manager of Meridian, Miss. Plant
N. A. Fowler	500 N. Dearborn Street Chicago, Illinois	Director, Vice President and Director of Sales and Research
Dennis F. Hahn	500 N. Dearborn Street Chicago, Illinois	Director, Vice President and Production Manager
S. F. Talbert	2324 Maury Street Houston, Texas	Director, President and Manager of Con- tinental Box Company, Inc., Houston, Texas

<u>Name of Director or Officer</u>	<u>Complete Mailing Address</u>	<u>Positions and offices held</u>
Edward Wagner	1924-26 Race Street Cincinnati, Ohio	Director
C. Claude Watkins	500 N. Dearborn Street Chicago, Illinois	Director, Vice President and Director of Purchases
F. J. McCraw	11th & Converse Aves. East St. Louis, Illinois	Vice President and Manager of East St. Louis, Ill. Plant
H. B. O'Donnell	30 Estling Lake Road Denville, New Jersey	Vice President and Manager of Denville, New Jersey Plant
T. W. Regan	Franklin Street Winchendon, Massachusetts	Vice President and Manager of Winch- endon, Mass. Plant
M. W. Swenson	North 17th Street Sheboygan, Wisconsin	Vice President and Manager of Sheboy- gan, Wisc. Plant
George T. Walne	16th & Maple Streets Louisville, Kentucky	Vice President and Sales Manager of Louisville Division
A. A. Ward	500 N. Dearborn Street Chicago, Illinois	Treasurer and Controller
Hildah A. Johnson	500 N. Dearborn Street Chicago, Illinois	Assistant Secretary and Attorney

DIVIDEND RECORD

During the years 1936 to 1949 inclusive dividends paid in stock and dividends paid in cash were as follows:

<u>Year</u>	<u>Dividends Paid in Stock</u>		<u>Dividends Paid in Cash</u>	
	<u>Per Cent</u>	<u>Aggregate No. of Shares</u>	<u>Per Share</u>	<u>Aggregate Amount of Cash Dividends</u>
1936			\$.13	\$163,733
1937			.12	167,404
1938			.04	57,703
1939			.07	100,981
1940			.10	144,259
1941			.12	173,111
1942			.15	216,404
1943			.15	216,404
1944	10%	143,826 shares	.06	87,437
1945	5	78,204 "	.06	98,703
1946	5	81,904 "	.06	103,895
1947	5	86,048 "	.195	344,750
1948	5	89,975 "	.12	223,643
1949			.10	192,255

FINANCIAL STATEMENTS

Financial statements, notes and supporting data are furnished as follows:

Certificate of Independent Public Accountants

Consolidated balance sheet, December 31, 1949

Statement of consolidated income for the three years ended December 31, 1949

Statement of consolidated capital surplus for the three years ended December 31, 1949

Statement of consolidated earned surplus—appropriated—for the three years ended December 31, 1949

Statement of consolidated earned surplus—unappropriated—for the three years ended December 31, 1949

Notes to financial statements for the three years ended December 31, 1949

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors,
General Box Company:

We have examined the consolidated balance sheet of General Box Company and Subsidiaries at December 31, 1949 and the statements of consolidated income and surplus for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-described statements present fairly the financial position of General Box Company and Subsidiaries at December 31, 1949 and the results of their operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

Chicago, Illinois,
February 15, 1950.

GENERAL BOX COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1949

ASSETS

CURRENT ASSETS:

Cash		\$ 924,795.57
United States Treasury Savings notes, at cost, plus accrued interest.....		631,208.00
Accounts and notes receivable—		
Trade	\$ 947,582.03	
Employees	22,726.39	
Other	185,101.69	1,155,410.11
Inventories—valued at the lower of cost or market (Note 1)—		
Raw materials	\$1,480,303.95	
Work in process	165,665.18	
Finished goods	43,833.19	1,689,802.32
Total current assets		\$4,401,216.00

PLANT, EQUIPMENT AND TIMBER, AT COST (Note 2):

Land	\$ 247,228.05	
Buildings and equipment	\$6,125,565.81	
Less: Reserve for depreciation.....	2,642,000.60	3,483,565.21
Timber and timber lands, less depletion.....	166,013.71	3,896,806.97

PREPAID EXPENSES AND DEFERRED CHARGES:

Prepaid taxes, licenses, rents, etc.....	\$ 1,197.81	
Prepaid insurance	55,902.02	
Miscellaneous prepayments and deferred charges.....	29,947.26	87,047.09

INTANGIBLE ASSETS:

Goodwill		1.00
		<u>\$8,385,071.06</u>

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES:

Notes payable—		
Portion of long-term serial notes due within one year.....		\$ 225,000.00
Accounts payable		618,319.73
Accrued liabilities—		
Wages, salaries, royalties, etc.....	\$ 308,664.37	
Taxes, other than Federal income taxes.....	96,707.17	405,371.54
Federal income taxes	\$ 87,500.00	
Less: United States Treasury Savings notes	87,500.00	—
Total current liabilities		<u>\$1,248,691.27</u>

LONG-TERM DEBT (Note 3):

Serial 2½% and 3% notes, payable \$150,000 annually to 1952 and \$116,050 on September 23, 1953, less \$150,000 included in current liabilities	\$ 416,050.00	
Serial 3¾% notes, payable \$75,000 annually to 1954 and \$58,950 on September 23, 1955, less \$75,000 included in current liabilities	358,950.00	775,000.00

CAPITAL STOCK AND SURPLUS:

Capital stock—		
Capital stock, par value \$1.00 per share:		
Authorized—3,000,000 shares		
Issued and outstanding—1,922,553 shares.....	\$1,922,553.00	
Surplus—statement attached—		
Capital surplus—paid-in	999,786.42	
Capital surplus subsequent to December 31, 1935:		
Earned surplus subsequent to December 31, 1935:	\$ 343,842.06	
Appropriated for contingencies (Note 4).....	3,095,198.31	3,439,040.37
Unappropriated (Note 3).....		6,361,379.79
		<u>\$8,385,071.06</u>

(See accompanying notes)

GENERAL BOX COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1949

	Year ended December 31,		
	1947	1948	1949
Profit from operations before provision for depreciation.....	\$2,827,535.03	\$2,047,767.71	\$ 947,182.28
Provision for depreciation.....	216,942.05	265,603.41	270,119.89
Profit from operations	\$2,610,592.98	\$1,782,164.30	\$ 677,062.39
Other income:			
Interest received	\$ 7,210.64	\$ 9,123.23	\$ 8,970.11
Profit or (loss) on sale and disposal of equipment	11,094.03	6,542.54	(1,447.32)
Refund of prior years' Federal income taxes	—	—	7,375.13
	\$ 18,304.67	\$ 15,665.77	\$ 14,897.92
	\$2,628,897.65	\$1,797,830.07	\$ 691,960.31
Other charges:			
Interest paid	\$ 41,999.70	\$ 37,486.52	\$ 44,602.40
Miscellaneous	18,501.61	26,027.86	9,946.21
	\$ 60,501.31	\$ 63,514.38	\$ 54,548.61
	\$2,568,396.34	\$1,734,315.69	\$ 637,411.70
Extraordinary loss on discontinuance of lumber concentration and drying yards, liquidation of related material inventories, disposal of plant and equipment and expenses in moving certain equipment	—	—	486,883.24
	\$2,568,396.34	\$1,734,315.69	\$ 150,528.46
Provision for income taxes:			
Federal	\$ 977,309.56	\$ 657,218.36	\$ 87,500.00
State	33,010.17	21,165.36	11,200.00
	\$1,010,319.73	\$ 678,383.72	\$ 98,700.00
Net income for the year	<u>\$1,558,076.61</u>	<u>\$1,055,931.97</u>	<u>\$ 51,828.46</u>

(See accompanying notes)

GENERAL BOX COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

CAPITAL SURPLUS (PAID-IN):	Year ended December 31,		
	1947	1948	1949
Balance at beginning of period	\$ 715,221.67	\$ 887,317.67	\$ 999,786.42
Additions to surplus—			
Transfer from unappropriated earned surplus of portion of amount applicable to stock dividends (see note on statement of unappropriated earned surplus).....	172,096.00	112,468.75	—
Balance at close of period.....	\$ 887,317.67	\$ 999,786.42	\$ 999,786.42

(See accompanying notes)

GENERAL BOX COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNED SURPLUS—APPROPRIATED

	Year ended December 31,		
	1947	1948	1949
Appropriated for:			
Dismantlement of raw material plant facilities—			
Balance at beginning of period	\$ 236,457.80	\$ 211,779.15	\$ 211,779.15
Deductions:			
Transfer to unappropriated earned surplus to cover losses charged to income.....	24,678.65	—	—
Transfer to earned surplus—unappropriated	—	—	211,779.15
Balance at end of period	\$ 211,779.15	\$ 211,779.15	\$ —
Contingencies (formerly designated "inventory price decline")—			
Balance at beginning of period	\$ 495,918.09	\$ 433,946.15	\$ 433,946.15
Deductions:			
Transfer to unappropriated earned surplus to cover losses charged to income	61,971.94	—	90,104.09
Balance at end of period	\$ 433,946.15	\$ 433,946.15	\$ 343,842.06
Total consolidated earned surplus—appropriated	\$ 645,725.30	\$ 645,725.30	\$ 343,842.06

(See accompanying notes)

GENERAL BOX COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNED SURPLUS—UNAPPROPRIATED

	Year ended December 31,		
	1947	1948	1949
Balance at beginning of period	\$1,262,065.05	\$2,303,897.63	\$2,933,741.91
Additions to surplus:			
Net income from income statement	\$1,558,076.61	\$1,055,931.97	\$ 51,828.46
Transfers from unappropriated earned surplus for—			
Contingencies (formerly designated "inventory price decline")	61,971.94	—	90,104.09
Dismantlement of raw material plant facilities	24,678.65	—	211,779.15
	\$1,644,727.20	\$1,055,931.97	\$ 353,711.70
	\$2,906,792.25	\$3,359,829.60	\$3,287,453.61
Deductions from surplus:			
Dividends—			
In stock—5%	\$ 258,144.00	\$ 202,443.75	\$ —
In cash	344,750.62	223,643.94	192,255.30
	\$ 602,894.62	\$ 426,087.69	\$ 192,255.30
Balance at end of period	\$2,303,897.63	\$2,933,741.91	\$3,095,198.31

NOTE: Dividends paid in stock have been charged to earned surplus at fair market value of shares at date of dividend. Of the amounts paid, the par value of the shares has been credited to capital stock and the remainder to paid-in surplus as follows:

	Credited to		
	Capital stock	Paid-in surplus	Total
December 22, 1947.....	\$86,048.00	\$172,096.00	\$258,144.00
December 22, 1948.....	89,975.00	112,468.75	202,443.75

(See accompanying notes)

GENERAL BOX COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

For the Three Years Ended December 31, 1949

1. INVENTORIES:

The inventories of raw materials, work in process, finished goods and supplies were taken at December 31, 1949. The inventories have been valued at the lower of average monthly cost or market, market being replacement market.

The inventories at the beginning and end of the periods under review were used in the computation of cost of sales and were as follows:

December 31,	Amount
1946.....	\$2,984,207.19
1947.....	2,897,364.63
1948.....	2,939,489.80
1949.....	1,689,802.32

2. PLANT, EQUIPMENT AND TIMBER:

The land, buildings and equipment as shown in the consolidated balance sheet are stated at values determined by the Board of Directors at date of organization of the Company, April 22, 1922 (such values being based upon appraisals made by independent engineers at or about September 1, 1921), for which capital stock was issued, plus subsequent additions at cost.

Timber and timber lands—

The timber and timber lands of the Company, as now carried, are stated at original cost less depletion.

The following is the policy of the Company in respect to:

(a) Depreciation—

Depreciation has been provided during the period under review at the following rates:

Buildings	4 %
Machinery and equipment	7% to 10
Automobiles and trucks	16%
Office furniture and fixtures	7
Logging equipment—automotive	50
Miscellaneous equipment	10% to 25

GENERAL BOX COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

For the Three Years Ended December 31, 1949

(b) Maintenance, repairs, renewals and betterments—

Current maintenance, repairs and renewals are charged to profit and loss when the expense is incurred.

Betterments are treated as additions to plant and equipment, and the depreciation thereof is provided at the same rates as apply to the classifications of plant and equipment on which betterments are made.

(c) Adjustment of the accumulated reserves for depreciation at the time properties are retired or otherwise disposed of—

When properties are retired or otherwise disposed of, the depreciation reserve applicable thereto is cleared from the accounts, and the difference between the gross book value less salvage and the applicable reserve is taken into profit and loss.

3. LONG-TERM DEBT:

The loan agreement covering the serial 2½%, 3% and 3¾% notes provides, among other things, that the Company will:

- (1) Maintain consolidated net assets at all times equal to or in excess of \$2,000,000.
- (2) Not pay any dividends, other than stock dividends, except out of its consolidated net earnings available for such purpose earned after December 31, 1947. Under this provision, unrestricted and unappropriated earned surplus at December 31, 1949 amounted to \$691,861.19.

4. EARNED SURPLUS—APPROPRIATED FOR CONTINGENCIES:

The appropriation for contingencies, formerly designated for inventory price decline, will not be used to relieve future income of charges properly applicable thereto.

5. ADDITIONAL COMPENSATION—OFFICERS AND EMPLOYEES:

Additional compensation, based on profits, is paid to officers and certain employees, under plans designated as "Incentive Plan at Plants" and "Management Incentive Plan."

The amounts charged to income under these plans during the period under review were as follows:

Year ended December 31,	Total	Incentive Plan at Plants		Management Incentive Plan	
		Paid to officers	Paid to employees	Paid to officers	Paid to employees
1947.....	\$811,028.78	\$101,080.53	\$286,009.42	\$342,671.85	\$81,266.98
1948.....	520,303.36	65,189.19	194,715.67	198,903.87	61,494.63
1949.....	198,549.38	50,594.15	101,814.38	25,007.75	21,133.10

The officers participating in the "Incentive Plan at Plants" are not the officers participating in the "Management Incentive Plan."

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago, within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange, except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said city. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for the listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

Mr. Paul E. Duzeski, Secretary, General Counsel and a member of the Board of Directors of General Box Company has given his opinion that the Company has been duly and validly organized under the laws of the State of Delaware and duly admitted as a foreign corporation in the State of Illinois where it has its principal place of business, and that it is presently validly existing and in good standing under the laws of those States; that 1,922,553 shares of its capital stock of the par value of \$1.00 per share presently outstanding have been validly authorized and issued and constitute fully paid and non-assessable shares of the Company, with no personal liability attached to the ownership thereof.

GENERAL INFORMATION

Transfer Agent: The First National Bank of Chicago, 38 South Dearborn Street, Chicago 90, Illinois.

Registrar: Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago 90, Illinois.

The fiscal year of the Company ends December 31 of each year.

The annual meeting of the shareholders of the Company is held at the principal office of the Company at 500 North Dearborn Street, Chicago 10, Illinois, on the second Thursday in March of each year, if not a legal holiday, and if a legal holiday, then on the next secular day at 10 A. M.

the hallicrafters co.

(An Illinois Corporation)

Common Stock
(\$1.00 Par Value)

Prepared by the Company
for
Midwest Stock Exchange

THE LIBRARY OF THE
MAR 20 1951
UNIVERSITY OF ILLINOIS

The Hallicrafters Co. made application to list 675,000 shares of its Common Stock, \$1.00 Par Value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on May 8, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

the hallicrafters co.

(An Illinois Corporation)

Common Stock (\$1.00 Par Value)

The Hallicrafters Co. (hereinafter sometimes called the "Company") made application to list 675,000 shares of its Common Stock, \$1.00 per share par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on May 8, 1950.

CAPITALIZATION

The capitalization of the Company is as follows:

	<u>Shares Authorized</u>	<u>Shares Outstanding</u>
Common Stock \$1.00 par value	1,000,000	675,000

DESCRIPTION OF COMMON STOCK

The \$1.00 per share par value Common Stock is entitled to such dividends as the Board of Directors may lawfully declare and pay from time to time. The Company has issued 4½% First Mortgage Notes secured by a first mortgage on its land and plant located at 4401 West Fifth Avenue, Chicago, Illinois. As of April 30, 1950, 4½% First Mortgage Notes in the amount of \$520,000 were outstanding. The Company covenants in the mortgage indenture that so long as any of the Notes secured thereby shall remain unpaid in whole or in part the Company will not, without the prior written consent of the mortgagee, declare any dividends (other than stock dividends) or make payment, other than a payment in stock of the Company on account of dividends, on any class of its stock, or payment on account of the purchase, redemption or retirement of shares of stock, or make any distribution (other than a distribution of stock of the Company) in respect of its stock (such declarations, dividends, payments or distributions being herein called "Stock Payments"),

- A. Unless, in any case, the consolidated working capital (excess of consolidated current assets over consolidated current liabilities) of the Company on the last day of the preceding calendar month, less an amount equal to
- (1) The Stock Payment in question, and
 - (2) All other Stock Payments made since the last day of such preceding calendar month, shall be at least equal to \$1,500,000; and, also
- B. Unless, in any case, the amount of the consolidated current assets of the Company on the last day of the preceding calendar month (after deducting an amount equal to (1) the Stock Payment in question, and (2) all other Stock Payments made after the last day of such preceding calendar month) shall be at least 150% of the consolidated current liabilities of the Company on the last day of such preceding calendar month, including amortization due within twelve months. In determining compliance with this sub-paragraph B, accruals of liabilities for Federal taxes measured by income shall be eliminated from consolidated current liabilities, and consolidated current assets shall be reduced by a like amount.

As of March 31, 1950, the consolidated working capital of the Company was \$2,507,018.38, and consolidated current assets of the Company were 194% of consolidated current liabilities computed in accordance with the provisions of the mortgage indenture.

Each share is entitled to one vote on all matters, except that cumulative voting prevails in the election of directors. There are no preferences upon liquidation and the provisions of the statutes of the State of Illinois govern with respect to the rights of shareholders upon liquidation. There are no preemptive, subscription or conversion rights and no redemption provisions applicable to the shares. All of the issued and outstanding shares of the Company are full paid and non-assessable.

HISTORY AND BUSINESS

The Company's corporate predecessor began operations in 1934, selling radio receiving sets manufactured by others to its specifications. In 1936 it acquired the business and assets of Echophone Radio Corp., a Delaware corporation, and with these facilities began the manufacture of short wave receiving sets. The Company's predecessors were among the pioneers specializing in the short wave radio field. Its products were primarily designed to reach the amateur radio operator market.

Promotion of sales of receiving equipment for commercial use was begun in 1937, the Company's standard sets having been found suited to this field because of their quality performance in the short wave range. Sales were made to such users as the Federal Communications Commission, air line stations, and for police and broadcast monitoring purposes. In 1938 the Company began the manufacture of transmitting equipment for use by amateur radio operators, and shortly thereafter produced two-way radio telephone equipment for short range marine use. During the same period it began the manufacture of special receiving equipment, such as direction finders, diversity receivers for uses where high sensitivity and fidelity were essential, short wave portable receivers operating on AC-DC current, and the development of ultra high frequency (short wave) receivers covering 100 to 600 megacycles. Until the end of 1940 it produced high fidelity broadcast receiving equipment for private brand distribution. In 1940 it commenced the manufacture of frequency modulation receiving sets.

The type of short wave receiving and transmitting equipment produced for the civilian market was applicable to military communications purposes with little or no modifications. The Company converted to war production during World War II and practically all sales were made to the United States Military Services, including primarily the Army Signal Corps and the Navy Department; large quantities of the Company's equipment were also used by the military forces of allies of the United States. Its high power civilian transmitting equipment was used by the Armed Services in mobile transmitting stations, including the SCR-299 and SCR-399 truck-mounted installation of which more than \$60,000,000 were delivered by the Company.

The Company experienced no major reconversion problem in getting back into civilian production after the war. It continued to manufacture short wave radio communications equipment and home set receivers, and in 1948 added television sets to its line. The Company manufactures its home receiving and television lines under the "Hallicrafter" name. Television sets represented approximately 56% of total sales during the fiscal year ended August 31, 1949, as compared with 18½% of total sales for the fiscal year ended August 31, 1948. Current production of television sets is running at approximately 900 sets per day. Its export business amounted to approximately 16¼% of total sales during the fiscal year ended August 31, 1949. The Company's private label business increased substantially during the last fiscal year.

The Company's manufacturing operations consist primarily of assembly of parts produced to its designs and specifications by its suppliers. Items such as condensers, transformers, resistors, switches, speakers, coils, tubes, etc., are purchased from organizations specializing in the production of such components for the Company and other manufacturers.

The radio communications equipment is sold chiefly through radio parts jobbers, special and well equipped distribution having been developed for marine and aircraft equipment. Distribution of the home set receivers and television sets is made principally through appliance distributors and key accounts.

The television sets, radio receiving sets and commercial communications equipment manufactured by the Company include inventions protected by the patents of Radio Corporation of America, Hazeltine Corporation, Panoramic Laboratories, Edwin H. Armstrong, American Telephone and Telegraph Company and Western Electric Co., Incorporated. The Company is licensed to use these patents upon terms substantially the same as those granted other radio manufacturers. All of the licenses referred to are non-exclusive. It owns no patents of material importance to its business. It has licenses under the principal basic radio patents referred to above and knows of no reason which would prevent it from securing renewals of such of the licenses as it desires when they expire.

The number of employees of the Company and its predecessors has increased from approximately 250 in 1941 to 1,650, its current average. Approximately 55% of the employees are women; employee turnover has been relatively low. The Company considers that its employee-management relations have been satisfactory. Factory employees are paid on an hourly rate basis and employees have received paid vacations and Christmas bonuses, said bonuses varying with length of service and earnings of the employee. Eligible employees participate in "The Hallicrafters Co. Employees' Profit Sharing Trust."

The business in which the Company is engaged has traditionally been, and the Company believes will continue to be, highly competitive.

PLANTS AND PROPERTIES

The Company's main plant is located in a modern single story building, with approximately 142,000 square feet of floor space, at 4401 West Fifth Avenue, in Chicago, Illinois, which it built in 1946. It also occupies leased premises of approximately 72,000 square feet of floor space for production and warehouse purposes at 755-759 and 801-823 Tripp Avenue, Chicago, Illinois, and of approximately 16,000 square feet of floor space for its coil and component parts plant at 5041 North Broadway, Chicago, Illinois. The cost of land, buildings and equipment at 4401 West Fifth Avenue was approximately \$900,000 and was financed through first and second mortgages payable in monthly instalments. As of April 30, 1950, the mortgages had been reduced to \$620,000.

SUMMARY OF EARNINGS

The following summary of net sales, profit before Federal taxes on income, and net profits of the Company, has been prepared from profit and loss statements for the fiscal years ended August 31, 1944-1949, inclusive, and for the 7-month period ended March 31, 1950. Data as to the fiscal years ended August 31, 1944-49, inclusive, was taken from reports prepared by independent public accountants. Data as to the 7-month period ended March 31, 1950, was taken from financial statements prepared by the Company. This summary is subject to and should be read in connection with the Financial Statements and the notes thereto appearing herein.

<u>Year Ended</u> <u>August 31</u>	<u>Net</u> <u>Sales</u>	<u>Profit before</u> <u>Federal taxes</u> <u>on income</u>	<u>Net</u> <u>Profit</u>
1944	\$ 35,418,799.06	\$ 2,478,464.51	\$691,064.51
1945	35,942,770.87	2,071,777.79	571,777.79
1946	8,054,682.20	1,004,629.39	398,315.91
1947	8,378,971.25	(720,386.04)*	(305,386.04)*
1948	11,233,758.97	518,176.55	318,176.55
1949	14,572,008.41	653,050.20	403,050.20
Seven months ended March 31, 1950	14,404,299.60	1,205,276.69	748,227.79

* Loss

DIVIDEND POLICY

The Company paid cash dividends in the fiscal years 1945 and 1946 as follows:

<u>Year</u>	<u>Aggregate</u> <u>Amount</u>
1945	\$135,000.00
1946	270,000.00

No dividends have been paid since 1946, the profits having been retained in the business to finance expanded production. Business prospects may justify the adoption of a dividend policy by the Board of Directors at the close of the current fiscal year. The declaration and payment of any dividends will, of course, be dependent upon the future earnings, financial condition and business prospects of the Company and will be subject to the limitation on dividends provided for in the Company's mortgage indenture referred to under "Description of Common Stock."

MANAGEMENT AND CONTROL

The following are the present directors and officers of the Company:

<u>Name</u>	<u>Address</u>	<u>Office</u>
William J. Halligan	210 E. Pearson Street Chicago 11, Illinois	President and Director
Raymond W. Durst	840 Lathrop Avenue River Forest, Illinois	Executive Vice President and Director
Joseph J. Frendreis	6612 LeMai Avenue Lincolnwood, Illinois	Secretary and Treasurer
Edward J. Corcoran	3943 N. Merrimac Avenue Chicago 34, Illinois	Assistant Secretary
Matthew P. Heinz	3947 N. Merrimac Avenue Chicago 34, Illinois	Assistant Treasurer
James R. Cardwell	332 S. Michigan Avenue Chicago 4, Illinois	Director
Leo J. Doyle	135 S. La Salle Street Chicago 3, Illinois	Director
Kenneth C. Prince	33 N. La Salle Street Chicago 2, Illinois	Director

FINANCIAL STATEMENTS

Financial Statements are furnished as follows:

- (a) Accountants' Opinion.
- (b) Balance Sheets as at August 31, 1949 and March 31, 1950.
- (c) Statement of Income for the three years and seven months ended March 31, 1950.
- (d) Statement of Surplus for the three years and seven months ended March 31, 1950.
- (e) Notes to Financial Statements.
- (f) Supplementary Profit and Loss Information.

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

May 5, 1950, as of
September 23, 1949.

Board of Directors,
THE HALLICRAFTERS CO.,
Chicago, Illinois.

We have examined the balance sheet of The Hallcrafters Co. as of August 31, 1949, the related statements of income and surplus for the three years then ended, and the schedule of supplementary profit and loss information for the three years then ended; the foregoing statements and schedule for the two years ended August 31, 1948, include two small subsidiaries, both of which were disposed of, by sale and liquidation, during that period. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of The Hallcrafters Co. at August 31, 1949, and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the schedule of supplementary profit and loss information presents fairly the information therein set forth.

TOUCHE, NIVEN, BAILEY & SMART,
Certified Public Accountants.

THE HALLICRAFTERS CO.

BALANCE SHEETS

	August 31, 1949	March 31, 1950 (not audited)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 300,180.87	\$ 96,732.57
Accounts receivable:		
Trade accounts	859,831.86	2,801,889.59
Miscellaneous accounts	86,440.38	34,949.28
Less estimated losses in collection	\$ 946,272.24	\$ 2,836,838.87
	75,794.95	80,239.18
Inventories of raw materials, work in process, and finished goods—at cost (first-in, first-out basis) or market, whichever is lower (Note B)	\$ 870,477.29	\$ 2,756,599.69
Prepaid insurance and other expenses	2,147,665.26	2,982,796.37
	33,687.03	69,291.36
TOTAL CURRENT ASSETS	\$ 3,352,010.45	\$ 5,905,419.99
PROPERTY, PLANT, AND EQUIPMENT—at cost, less accumulated depreciation and amortization:		
Land	65,000.00	65,000.00
Building, less depreciation of \$63,443.97 at August 31, 1949 and \$75,817.66 at March 31, 1950	785,036.99	772,663.30
Machinery and other equipment, less depreciation of \$130,044.19 at August 31, 1949 and \$153,906.50 at March 31, 1950	213,727.43	225,869.99
Tools, dies, jigs and patterns, less amortization	39,475.23	38,030.56
Leasehold improvements, less amortization	—	3,229.17
PATENTS AND TRADE-MARK	\$ 1,103,239.65	\$ 1,104,793.02
	1.00	1.00
	\$ 4,455,251.10	\$ 7,010,214.01
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable to banks	\$ 300,000.00	\$ 800,000.00
Accounts payable and accrued expenses:		
Trade accounts	520,590.64	1,107,323.98
Salaries, wages, and commissions	37,250.40	170,393.96
Payroll taxes and taxes withheld from employees	35,338.07	72,085.84
Excise, real estate, and other taxes	41,813.12	61,674.20
Royalties	37,017.67	57,156.86
Television tube warranties	—	76,347.85
Interest and other expenses	41,957.27	83,712.45
Due to Employees' Profit Sharing Trust	—	126,408.62
Federal taxes on income	338,408.02	672,006.54
Mortgage notes payable within one year	107,499.99	102,000.00
TOTAL CURRENT LIABILITIES	\$ 1,459,875.18	\$ 3,329,110.30
LONG-TERM DEBT (secured by mortgages on land and building):		
First mortgage 4½% note payable, due in monthly installments of \$3,000.00 through June 1, 1964 and \$13,000.00 on July 1, 1964	547,000.00	523,000.00
Second mortgage 4% notes payable, due in monthly installments of \$5,500.00 (Note C)	149,499.99	105,500.00
Less amounts due within one year shown as current liability	\$ 696,499.99	\$ 628,500.00
	107,499.99	102,000.00
	\$ 589,000.00	\$ 526,500.00
CAPITAL STOCK AND SURPLUS:		
Common stock, par value \$1.00 per share,		
Authorized, 1,000,000 shares	675,000.00	675,000.00
Issued and outstanding, 675,000 shares	434,377.00	434,377.00
Paid-in surplus	1,296,998.92	2,045,226.71
Earned surplus (Note D)		
	\$ 2,406,375.92	\$ 3,154,603.71
	\$ 4,455,251.10	\$ 7,010,214.01

See notes to financial statements.

THE HALLICRAFTERS CO.
STATEMENT OF INCOME

	Year ended August 31			Seven months ended March 31, 1950 (not audited)
	1947	1948	1949	
NET SALES	\$ 8,378,971.25	\$ 11,233,758.97	\$ 14,572,008.41	\$ 14,404,299.60
COST OF GOODS SOLD:				
Inventories at beginning of period (Note B)	\$ 2,157,748.01	\$ 1,315,154.12	\$ 1,907,648.73	\$ 2,147,665.26
Purchases, direct labor, and manufacturing expenses	6,128,570.65	8,973,430.75	11,930,610.05	12,319,464.73
	\$ 8,286,318.66	\$ 10,288,584.87	\$ 13,838,258.78	\$ 14,467,129.99
Inventories at end of period (Note B)	1,315,154.12	1,907,648.73	2,147,665.26	2,982,796.37
	\$ 6,971,164.54	\$ 8,380,936.14	\$ 11,690,593.52	\$ 11,484,333.62
	\$ 1,407,806.71	\$ 2,852,822.83	\$ 2,881,414.89	\$ 2,919,965.93
COMMISSIONS ON SALES OF SURPLUS WAR MATERIALS FOR THE WAR ASSETS ADMINISTRATION (less nonreim- bursable commissions paid to others of \$2,654.92)	19,265.73			
	\$ 1,427,072.44	\$ 2,852,822.83	\$ 2,881,414.89	\$ 2,919,965.98
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (in- cluding provision for doubtful accounts of \$15,979.75 in 1947, \$9,956.24 in 1948, \$5,312.11 in 1949 and \$8,400.00 for the seven months ended March 31, 1950)	1,990,644.24	2,206,757.09	2,180,683.49	1,556,269.54
	\$ 563,571.80*	\$ 646,065.74	\$ 700,731.40	\$ 1,363,696.44
OTHER DEDUCTIONS:				
Interest expenses:				
Mortgage notes	\$ 16,080.95	\$ 33,115.45	\$ 32,466.29	\$ 17,124.06
Other	37,800.11	27,090.43	15,214.91	14,887.07
Provision for contribution to Employees' Profit Sharing Trust				126,408.62
Loss on sale and liquidation of subsidiary companies	22,825.09			
Adjustment of claim receivable from War Assets Administration (including provision of \$50,000.00 in 1948 for possible additional adjustments)	80,108.09	67,683.31		
	\$ 156,814.24	\$ 127,889.19	\$ 47,681.20	\$ 158,419.75
INCOME (OR LOSS*) BEFORE TAXES ON INCOME	\$ 720,386.04*	\$ 518,176.55	\$ 653,050.20	\$ 1,205,276.69
FEDERAL TAXES ON INCOME:				
Provision for current period		200,000.00	250,000.00	457,048.90
Refundable taxes on income of prior year arising from carry-back of operating loss (Note F)	415,000.00*			
NET INCOME (OR LOSS*) FOR THE PERIOD	\$ 305,386.04*	\$ 318,176.55	\$ 403,050.20	\$ 748,227.79

* Denotes red figure.
See notes to financial statements.

STATEMENT OF SURPLUS

	Year ended August 31			Seven months ended March 31, 1950 (not audited)
	1947	1948	1949	
PAID-IN SURPLUS				
BALANCE AT BEGINNING AND END OF PERIOD (no change during period)	\$ 434,377.00	\$ 434,377.00	\$ 434,377.00	\$ 434,377.00
EARNED SURPLUS				
BALANCE AT BEGINNING OF PERIOD (Note F)	\$ 881,158.21	\$ 575,772.17	\$ 893,948.72	\$ 1,296,998.92
NET INCOME (OR LOSS*) FOR THE PERIOD	305,386.04*	318,176.55	403,050.20	748,227.79
BALANCE AT END OF PERIOD (Notes D and F)	\$ 575,772.17	\$ 893,948.72	\$ 1,296,998.92	\$ 2,045,226.71

* Denotes red figure.
See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

A. Principles of Consolidation:

The financial statements for the years ended August 31, 1947 and 1948, include Southern Electronics Company (sold as of September 1, 1946) and The Shelby Woodcrafters, Inc. (dissolved October 31, 1947). For those years, intercompany transactions have been eliminated and no intercompany profits have been included in inventories. The profits and losses of these subsidiaries for the periods for which they were included in the consolidated statements were insignificant.

B. Inventories:

Inventories at the beginning and end of each fiscal year and at March 31, 1950, represent physical inventories taken as of the preceding June 30th and adjusted for subsequent transactions, priced at the lower of cost, on a first-in, first-out basis, or market. The Company's accounting procedures are such that it is impracticable to segregate the amounts of raw materials, work in process, and finished goods at August 31st or at March 31st.

C. Second Mortgage Notes Payable:

These notes were originally issued to William J. Halligan, president of the Company, acting individually and as trustee for certain trusts, for cash in an amount equal to the face amount of the notes.

At August 31, 1949, the notes were subject to subordination agreements with two banks which provided that no payments could be made on account of the second mortgage notes without the consent of the banks. These subordination agreements were rescinded prior to March 31, 1950.

D. Surplus Restrictions:

The first mortgage indenture provides that, without the consent of the mortgagee, the Company may not pay any dividend (other than a stock dividend) or make any payment on account of the acquisition of its own stock which will reduce the working capital to an amount less than \$1,500,000.00, or which will reduce the current assets to an amount less than 150% of the current liabilities. The indenture further provides that prepaid expenses are to be excluded from current assets, and that liabilities for federal taxes on income are to be deducted from both current assets and current liabilities in determining the effect of the restrictive provisions.

E. Depreciation Policy:

The Company follows a policy of providing for depreciation of plant and equipment on a straight-line basis over their estimated useful lives. The annual rates used for depreciation purposes are as follows:

Class	Annual rate
Building	2½%
Machinery and equipment	10%
Test equipment	20%
Restaurant equipment	20%
Furniture and fixtures	10%
Automobiles	25%

Tools, dies, jigs and patterns are amortized over a two-year period, except that the unamortized cost of such equipment applicable to models discontinued prior to the end of the two-year period is written off at the time production of such models ceases.

Leasehold improvements are amortized over the life of the lease or the estimated useful life of the improvement, whichever is shorter.

Expenditures for new plant and equipment and replacements have been capitalized, and the costs of maintenance and repairs have been charged to income. The Company follows a policy of removing from the accumulated depreciation accounts the applicable amounts of depreciation previously provided therein when the assets are retired or sold. Any resulting profit or losses on such retirements or sales are included in income.

F. Retroactive Adjustments:

The accompanying statements of income and earned surplus reflect (1) a reduction of \$75,000.00 in earned surplus balance at September 1, 1946, for additional provision for prior years' federal taxes on income, charged to income in the year ended August 31, 1947, and (2) the allocation to the year ended August 31, 1947, of the adjustment of \$70,000.00 charged to earned surplus in the year ended August 31, 1949, to reduce the amount of refundable taxes on income previously credited to income.

THE HALLICRAFTERS CO.
SUPPLEMENTARY PROFIT AND LOSS INFORMATION

<u>Column A</u>	<u>Column B</u> Charged directly to costs or operating expenses	<u>Column C</u> Charged to other accounts	<u>Column D</u> Total
<u>Item</u>			
YEAR ENDED AUGUST 31, 1947:			
Maintenance and repairs	\$ 51,925.23		\$ 51,925.23
Depreciation, depletion, and amortization of fixed and intangible assets	204,364.48		204,364.48
Taxes, other than income taxes:			
Payroll taxes	48,124.07		48,124.07
Real estate, sales, and personal property taxes	20,189.46		20,189.46
Federal excise taxes	444,561.05		444,561.05
Management and service contract fees	None		None
Rents	47,406.22		47,406.22
Royalties	<u>217,861.35</u>		<u>217,861.35</u>
YEAR ENDED AUGUST 31, 1948:			
Maintenance and repairs	\$ 33,741.63		\$ 33,741.63
Depreciation, depletion, and amortization of fixed and intangible assets	180,901.50		180,901.50
Taxes, other than income taxes:			
Payroll taxes	61,017.55		61,017.55
Real estate, sales, and personal property taxes	15,930.79		15,930.79
Federal excise taxes	643,439.97		643,439.97
Management and service contract fees	None		None
Rents	13,598.99		13,598.99
Royalties	<u>261,617.33</u>		<u>261,617.33</u>
YEAR ENDED AUGUST 31, 1949:			
Maintenance and repairs	\$ 24,704.58		\$ 24,704.58
Depreciation, depletion, and amortization of fixed and intangible assets	133,307.90		133,307.90
Taxes, other than income taxes:			
Payroll taxes	70,815.55		70,815.55
Real estate, sales, and personal property taxes	20,508.55		20,508.55
Federal excise taxes	298,086.58		298,086.58
Management and service contract fees	None		None
Rents	23,610.41		23,610.41
Royalties	<u>266,499.54</u>		<u>266,499.54</u>
SEVEN MONTHS ENDED MARCH 31, 1950 (not audited):			
Maintenance and repairs	\$ 23,206.43		\$ 23,206.43
Depreciation, depletion, and amortization of fixed and intangible assets	68,465.61		68,465.61
Taxes, other than income taxes:			
Payroll taxes	64,924.33		64,924.33
Real estate, sales, and personal property taxes	10,800.47		10,800.47
Federal excise taxes	182,221.22		182,221.22
Management and service contract fees	None		None
Rents	19,271.13		19,271.13
Royalties	<u>267,806.66</u>		<u>267,806.66</u>

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange, as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
 - (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
 - (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
 - (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the Company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
 - (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the Company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
 - (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
 - (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
 - (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
 - (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
 - (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
 - (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
 - (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
 - (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
 - (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the Company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
 - (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
 - (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned Company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
 - (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the Company, its subsidiaries or controlled companies, of its or their condition, as may be required.
 - (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.
- Nothing in these agreements shall obligate the Company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the Company.

OPINION OF COUNSEL

Messrs. Pope & Ballard, 120 South La Salle Street, Chicago, Illinois, counsel for the Company, have written an opinion, which states that the Company is a corporation duly organized and existing under the laws of the State of Illinois; that the Company is authorized to issue a total of 1,000,000 shares of Common Stock of \$1.00 par value; and the Company has issued and that there are now outstanding 675,000 shares, all of which are valid, full paid and non-assessable.

GENERAL INFORMATION

Transfer Agent: The First National Bank of Chicago, Chicago, Illinois.

Registrar: Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois.

The fiscal year of the Company ends August 31.

The annual meeting of the shareholders of the Company is held on the second Monday in December in each year if not a legal holiday, and if a legal holiday then on the next succeeding business day, at 10:00 A. M. at the office of the Company in Chicago, Illinois.

The principal office of the Company is located at 4401 West Fifth Avenue, Chicago, Illinois.

the hallicrafters co.

Walter E. Heller & Company

(a Delaware corporation)

Common Stock

(Par Value \$2 Per Share)

Prepared by the Company

for

Midwest Stock Exchange

THE LIBRARY OF THE

MAR 29 1951

UNIVERSITY OF ILLINOIS

Walter E. Heller & Company made application to list on the Midwest Stock 409,172 shares of its Common Stock, par value \$2 per share, 328,441 shares of which are to be immediately subject to trading and 80,731 shares of which are reserved for admission to trading on notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on May 11, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.



Walter E. Heller & Company

(a Delaware corporation)

Common Stock

(Par Value \$2 Per Share)

Walter E. Heller & Company made application to list on the Midwest Stock Exchange 409,172 shares of its Common Stock, par value \$2 per share, 328,441 shares of which are to be immediately subject to trading and 80,731 shares of which are reserved for admission to trading on notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on May 11, 1950.

CAPITALIZATION

as of April 30, 1950

Funded Debt:

27/8% Sinking Fund Debentures, due in 1962, subject to annual sinking fund of \$500,000 beginning in 1953,.....	\$ 5,000,000
3 1/2% Note, due in 1964, subject to prepayments of \$500,000 annually, beginning in 1955,....	5,000,000
3 1/2% Sinking Fund Debentures (subordinated to other borrowed funds), due in 1962, subject to annual sinking fund of \$100,000 minimum and \$200,000 maximum, depending on earnings, beginning in 1953,.....	2,000,000
4 1/4% Serial Notes of National Acceptance Company of Chicago, a subsidiary of the Company (subordinated to other borrowed funds), due \$40,000 annually July 1, 1950 to 1957 and \$80,000 in 1958,.....	400,000
Total consolidated long term debt.....	\$12,400,000

Capital Stock:

Preferred Stock, Par Value \$100 Per Share, Authorized.....	50,000 Shares
Outstanding:	
5 1/2% Cumulative Preferred Stock with Common Stock Purchase Warrants attached, issued.....	27,162 Shares ¹
5 1/2% Cumulative Preferred Stock without Common Stock Purchase Warrants attached, issued.....	338 Shares
4% Cumulative Preferred Stock with Common Stock Purchase Warrants attached, issued.....	10,000 Shares ²

¹ including 663 shares of treasury stock

² including 632 shares of treasury stock

Common Stock, Par Value \$2 Per Share,

Authorized.....	600,000 Shares
Outstanding.....	328,441 Shares
Reserved.....	80,731 Shares

STOCK PROVISIONS

Dividend Rights:

The holders of 5 1/2% Cumulative Preferred Stock and the holders of 4% Cumulative Preferred Stock shall, ratably as between the two series of Preferred Stock (except as to dividend rates) and in preference to the holders of Common Stock, be entitled to receive cumulative dividends at the rate of 5 1/2% and 4%, respectively, on the par value of said shares, payable quarter-yearly on the last day of March, June, September and December, when and as declared by the Board of Directors out of the surplus, net profits or other funds available for dividends. When dividends on Preferred Stock of all classes and any accumulated dividends thereon shall have been paid or declared, the holders of Common Stock shall be entitled to receive dividends of surplus or net profits or other funds available for dividends, in such amounts as the Board of Directors may determine, provided, that no dividends shall be paid on Common Stock which will effect a reduction in the then net worth of the Company below 166 2/3% of the aggregate par value of Preferred Stock of all classes then issued and outstanding.

Under the provisions of the indentures and agreements relating to its funded debt, the Company has agreed not to pay dividends or make other restricted payments to shareholders, unless at the date of such declaration or payment the sum of \$500,000, plus the consolidated net income of the Company and certain of its subsidiaries for the period commencing January 1, 1949 to and including the date of declaration or payment, shall be greater than the aggregate amount of all such dividends and payments declared or made during such period.

Voting Rights:

Except as required by the statutes of the State of Delaware or as summarized below, the holders of Preferred Stock have no voting power, all rights to vote being vested exclusively in the holders of the Common Stock. Whenever and so long as the Company shall be in default in the payment of any quarter-yearly dividend for twelve months in respect of any class of Preferred Stock, the holders of the class of Preferred Stock with respect to which such default exists shall have the same voting powers as the holders of Common Stock, to-wit: one vote for each share of stock. While and so long as the holders of 5 1/2% Cumulative Preferred Stock shall be vested with such voting power, they shall have the right, by majority vote, voting as a single class, to nominate and elect one director. While and so long as the holders of 4% Cumulative Preferred Stock shall be vested with such voting power, they shall have the right, majority vote, voting as a single class, to nominate and elect one director.

Liquidation Rights:

In the event of any voluntary liquidation, dissolution or winding up of the Company, before any of the assets of the Company shall be distributed to holders of Common Stock, the holders of Preferred Stock are entitled, ratably as between the 5 1/2% Cumulative Preferred Stock and the 4% Cumulative Preferred Stock, to an amount per share equivalent to the then redemption price of such shares, and no more.

In the event of any involuntary liquidation, dissolution or winding up of the Company, the holders of each class of Preferred Stock shall be entitled, before any assets of the Company shall be distributed to the holders of Common Stock, to be paid in full the par amount of their shares, together with accrued dividends, if any, and no more.

Redemption Provisions:

At the option of the Board of Directors, the 5½% Cumulative Preferred Stock may be redeemed at \$105.00 per share and the 4% Cumulative Preferred Stock may be redeemed at \$103.25 per share prior to July 1, 1951 and thereafter at \$102.00 per share, in each case plus any accrued dividends thereon.

Other Rights:

Except for the Common Stock Purchase Warrants attached to the outstanding shares of Preferred Stock, none of the stockholders of the Company have any preemptive or preferential rights to subscribe to or receive any additional shares of any class of stock.

Holders of Preferred Stock have no conversion rights.

All of the issued shares of the Company are fully paid and non-assessable.

4% Preferred Stock Purchase Fund:

The Company, by resolution of its Board of Directors, is obligated to set aside, semi-annually for ten consecutive semi-annual periods ending with the semi-annual period ending June 30, 1951, a fund known as the "4% Preferred Stock Purchase Fund", in amount equal to 2% of the consolidated net earnings of the Company and its subsidiaries available for dividends during each such semi-annual period. Each of said semi-annual funds shall be used to purchase, at not to exceed \$101.00 per share and accrued dividends, such shares of the 4% Cumulative Preferred Stock as may be tendered to the Company for repurchase. Shares of the 4% Cumulative Preferred Stock acquired by the Company otherwise than through the operation of the 4% Preferred Stock Purchase Fund and held in the treasury on the day preceding the setting aside of any semi-annual fund may be applied toward the reduction of the amount required to be set aside for such semi-annual period, at the price paid by the Company therefor or the par value thereof, whichever is less.

WARRANTS AND OPTIONS

Of the 80,731 shares of Common Stock reserved for admission to trading on notice of issuance, 54,324 shares are reserved for issuance upon exercise of Common Stock Purchase Warrants attached to 27,162 shares of 5½% Cumulative Preferred Stock. Such warrants entitle the registered owners of the 5½% Cumulative Preferred Stock certificates to which such warrants are attached to purchase 2 shares of Common Stock in respect of every share of 5½% Cumulative Preferred Stock represented by such stock certificates, at a price of \$17.50 per share. Warrants expire at the close of business on September 30, 1950.

20,000 shares of Common stock, \$2 par value, are reserved for issuance upon exercise of Common Stock Purchase Warrants attached to 10,000 shares of 4% Cumulative Preferred Stock. Such warrants entitle the registered owners of the 4% Cumulative Preferred Stock certificates to which such warrants are attached to purchase 2 shares of the Common Stock in respect of every share of 4% Cumulative Preferred Stock represented by such stock certificates, at a price of \$23.25 per share. Warrants expire at the close of business on June 30, 1951.

The warrants described in the two preceding paragraphs contain appropriate provisions for proportionate increase or decrease, respectively, in the number of shares of Common Stock which may be purchased pursuant thereto in the event of recapitalization by subdividing the outstanding shares of Common Stock into a greater number of shares or by combining the outstanding Common Stock into a smaller number of shares, respectively. Upon the happening of certain events specified in the warrants the rights of the holders thereof are subject to certain adjustments whereby the number of shares of Common Stock of the Company deliverable on the exercise of warrants may be increased or decreased or the purchase price to be paid on the exercise of the warrants may be decreased, or securities or assets other than, and in lieu of or in addition to, the shares of Common Stock of the Company called for by the warrants will be deliverable on the due exercise of warrants.

6,407 shares of Common Stock are reserved for issuance pursuant to a "Stock Purchase Plan for Senior and Junior Executives", established by resolution of the Board of Directors. Said shares may be made available at the discretion of the Board of Directors to any of the present or future senior or junior executive employees of the Company, except Walter E. Heller and Shandor M. Zinner, within sixty days after December 31, 1950, at a price within a range of 25¢ below and 25¢ above the book value per share, or, in the alternative, at not more than 10% below the current market price of such Common Stock.

EARNINGS AND DIVIDEND RECORD

The Company has realized net income in every year of its history, with the exception of approximately 13 months immediately following its organization, in 1919. It has paid quarterly dividends without interruption on its Preferred Stock since original issuance in 1925, and on its Common Stock since March, 1921. Earnings and dividends for the years 1940 to 1949, inclusive are summarized below.

Cal- endar Years	Income	Expenses	Interest	Balance Before Federal Taxes on Income	Pro- vision for Federal Taxes on Income	Con- sol- idated Net Income	Pre- ferred Divi- dends Paid	Net Income Per Share of Common Stock	Divi- dends Paid Per Share of Common Stock
1940	\$1,663,703	\$ 732,939	\$187,674	\$ 743,090	\$161,914	\$581,176	\$110,122	\$1.86	\$.95
1941	2,007,730	908,889	203,725	895,116	360,086	535,030	110,122	1.68	.90
1942	2,350,662	958,661	265,590	1,126,411	607,523	518,888	110,122	1.62	.90
1943	2,165,987	945,273	277,234	943,480	470,895	472,585	110,122	1.43	.80
1944	2,317,380	1,105,255	308,000	904,125	421,000	483,125	133,199	1.38	.80
1945	2,283,518	1,095,296	275,575	912,647	413,814	498,833	151,250	1.36	.80
1946	2,797,464	1,325,005	368,598	1,103,861	453,550	650,311	165,374	1.47	.80
1947	3,191,658	1,643,043	444,358	1,104,257	444,300	659,957	190,493	1.43	.80
1948	3,765,399	1,818,729	588,847	1,357,823	556,000	801,823	187,408	1.87	.90
1949	4,075,480	2,026,059	691,642	1,357,779	546,000	811,779	186,151	1.90	.90

HISTORY AND BUSINESS

The Company, incorporated under the laws of Delaware on November 20, 1919, is engaged principally in financing the sales and other current operations of manufacturers, distributors, dealers, merchants and others, by purchasing or making advances on their accounts and notes receivable and installment paper; also in making direct loans or advances against inventory, machinery, equipment and other tangible and intangible assets; and in otherwise lending funds and giving financial aid to business concerns. The Company's assets consist almost entirely of receivables and obligations acquired through its operations and of cash. A widely diversified clientele is served, including manufacturers, distributors, and processors of and dealers in various kinds of products; also wholesale and retail merchants; also other finance companies and small loan companies; also concerns performing services, and independent motion picture producers.

The Company owns 100% of the capital stock of Walter E. Heller Factors, Inc. and Associate Factors, Inc., both Illinois corporations, which wholly-owned subsidiaries engaged from time to time in the same types of business as are conducted by the Company; utilizing the Company's facilities and personnel and funds advanced by the Company.

The Company also owns 77% of the voting stock and 57.7% of the non-voting stock of National Acceptance Company of Chicago, a Delaware corporation, which conducts a separate finance business in separate quarters with separate personnel. This subsidiary is engaged in making direct chattel mortgage and other loans on machinery, equipment and other chattels and inventory loans, and in advancing funds against accounts receivable and installment paper.

PROPERTIES

The Company and its subsidiaries have no plant, building or other fixed assets, except office furniture, fixtures and equipment, which have been written down to \$2.00.

The principal executive office of the Company and its wholly-owned subsidiaries is located in leased premises at 105 West Adams Street, Chicago 90, Illinois, and the Company's statutory office is located at 100 West 10th Street, Wilmington, Delaware. A branch office is located in leased premises at 60 East 42nd Street, New York 17, New York. The office of National Acceptance Company of Chicago is located in leased premises at 111 West Monroe Street, Chicago 3, Illinois.

MANAGEMENT

The names and addresses of officers and directors of the Company are as follows:

<u>Name of director or officer</u>	<u>Complete mailing address</u>	<u>Positions and offices held</u>
Walter E. Heller	105 West Adams Street Chicago 90, Illinois	President and Director
Shandor M. Zinner	105 West Adams Street Chicago 90, Illinois	Vice-President and Director
Harry E. Abrahams	105 West Adams Street Chicago 90, Illinois	Vice-President and Director
Ralph H. Carlson	105 West Adams Street Chicago 90, Illinois	Vice-President and Director
I. H. Lutzker	60 East 42nd Street New York 17, New York	Vice-President and Director
Milton A. Gordon	105 West Adams Street Chicago 90, Illinois	Vice-President and Director
Lawrence A. Petersen	105 West Adams Street Chicago 90, Illinois	Treasurer and Director
R. H. Olson	105 West Adams Street Chicago 90, Illinois	Secretary
Ethel E. Abrahamson	105 West Adams Street Chicago 90, Illinois	Assistant Secretary

All of the officers and directors above named are giving their time and attention to the business of the Company exclusively and are experienced executives in the business in which the Company is engaged

There are no bonus or profit-sharing arrangements now in effect. It has been the practice of the Company to grant bonuses to officers and key employees at the close of each fiscal year.

EMPLOYEES' PENSION PLAN

The Company makes annual contributions to the Walter E. Heller & Company Employees' Pension Plan. The Plan, made effective on December 1, 1941 and later amended, provides retirement and death benefits for employees (including executives) electing to participate in the Plan. Both the Company and the participants make annual contributions to a Pension Trust, which are applied toward the purchase of individual level premium retirement annuity contracts with certain life insurance futures. The Plan makes provision for increase or decrease in benefits of participants in the event of increase or decrease in their annual compensation. The Company is not obligated to make any future payments under Plan but presently intends to continue such payments. The Office of the Commissioner of Internal Revenue has ruled to the effect that the Plan, as amended, meets the requirements of Section 165a of the Internal Revenue Code and that contributions by the Company to the Trust are deductible by the Company for federal income tax purposes in accordance with Section 23p of the Code.

LITIGATION

The Company has been sued for a substantial amount by a trustee in bankruptcy, in connection with the liquidation of an inventory loan. In the opinion of counsel, the suit is not well founded and will be successfully defended. Except for such suit, there are no legal proceedings pending to which the Company or any of its subsidiaries is a party which depart from the ordinary routine litigation incident to the nature of the business conducted by the Company and its subsidiaries. Neither the Company nor its subsidiaries has knowledge at this time of any proceedings against the Company or its subsidiaries now pending or contemplated by governmental authorities.

FINANCIAL STATEMENTS

The following financial statements are included in this application:

- (1) Auditors' certificate.
- (2) Consolidated balance sheet—December 31, 1949.
- (3) Notes to consolidated balance sheet—December 31, 1949.
- (4) Statement of consolidated income for the years ended December 31, 1949, 1948, and 1947.
- (5) Statements of consolidated surplus for the years ended December 31, 1949, 1948, and 1947.

AUDITORS' CERTIFICATE

To the Board of Directors,
Walter E. Heller & Company:

We have examined the consolidated balance sheet of WALTER E. HELLER & COMPANY (a Delaware corporation) and its subsidiaries as of December 31, 1949, and the related statements of income and surplus for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Cash in the banks was reconciled with balances reported to us by the depositaries, and cash on hand was counted. The receivables were test-checked to the subsidiary records. Test-inspections were made of the notes and other evidences of indebtedness held by the companies. Confirmations were requested on a test-check basis from debtors, or customers from which the receivables were acquired, with respect to the receivable balances and the related amounts withheld pending collection, and with respect to amounts payable to customers; replies received disclosed no material differences. Based on our review of the collection experience of the companies and on discussions with the management, the reserve for possible future losses on receivables appears adequate. Confirmations were obtained from the holders with respect to the amounts of short-term notes payable and long-term debt outstanding. The number of shares of issued capital stock was in agreement with the number reported to us by the registrar.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of Walter E. Heller & Company and subsidiaries as of December 31, 1949, and the results of their operations for the three years then ended, and were prepared in conformity with generally accepted accounting principles consistently applied during the period under review.

Chicago, Illinois,
January 16, 1950.

ARTHUR ANDERSEN & CO.

WALTER E. HELLER & COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1949

ASSETS

CASH.....			\$ 6,224,699
RECEIVABLES:			
Rediscounts—retail automobile notes, other collateralized notes, and small loan paper.....	\$14,997,989		
Commercial installment receivables.....	10,157,333		
Commercial accounts receivable.....	12,738,934		
Commercial loans on collateral.....	3,764,970		
Factored wholesale accounts receivable.....	1,571,629		
Factored retail accounts receivable.....	877,397		
Inventory loans.....	1,519,758		
Motion picture production loans.....	425,960		
		\$46,053,970	
Deduct—			
Balances withheld from customers pending collection of receivables (principally on			
rediscounts, commercial installment receivables and commercial accounts) (Note 1)...	\$ 9,860,481		
Reserve for possible future losses on receivables.....	714,775	10,575,256	35,478,714
Total cash and receivables.....			\$41,703,413
PREPAID INTEREST AND OTHER EXPENSES.....			199,369
FURNITURE AND FIXTURES, at nominal value.....			2
			<u>\$41,902,784</u>

LIABILITIES

CURRENT LIABILITIES:			
Short-term notes payable, unsecured.....			\$17,865,000
Amounts payable to customers.....			608,108
Other payables and accruals.....			556,789
Provision for Federal income taxes.....			589,419
Subordinated serial note due July 1, 1950.....			40,000
Total current liabilities.....			\$19,659,316
LONG-TERM DEBT:			
2¾% sinking fund debentures due in 1962, subject to annual sinking fund of \$500,000			
beginning in 1953.....	\$ 5,000,000		
3¼% note due in 1964, subject to prepayments of \$500,000 annually beginning in 1955....	5,000,000		
3¼% sinking fund debentures (subordinated to other borrowed funds) due in 1962, subject			
to annual sinking fund of \$100,000 minimum and \$200,000 maximum, dependent on			
earnings, beginning in 1953.....	2,000,000		
4¼% serial notes of National Acceptance Company of Chicago (subordinated to other			
borrowed funds) due \$40,000 annually July 1, 1951 to 1957 and \$80,000 in 1958.....	360,000	12,360,000	
CONTINGENT LIABILITY—under letters of credit.....	\$ 15,981		
UNEARNED DISCOUNTS AND SERVICE CHARGES.....			895,488
MINORITY INTEREST in subsidiary (approximately \$186,000 subject to repurchase by			
subsidiary—Note 4).....			441,923
CAPITAL STOCK AND SURPLUS:			
Preferred stock, \$100 par value; authorized 50,000 shares (Note 2)—			
5½% cumulative preferred; issued 27,500 shares.....	\$ 2,750,000		
4% cumulative preferred; issued 10,000 shares.....	1,000,000		
Common stock, par value \$2 per share; authorized 600,000 shares; outstanding 328,441			
shares (Note 2).....	656,882		
Surplus (per accompanying statements)—			
Paid-in surplus.....	1,128,511		
Earned surplus (Notes 3 and 4).....	3,120,320		
Treasury preferred stock, 633 shares of 5½% and 632 shares of 4%, at cost (deduction)...	(109,656)	8,546,057	
			<u>\$41,902,784</u>

Reference is made to the accompanying notes which
are an integral part of this statement.

WALTER E. HELLER & COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31, 1949, 1948, AND 1947

	1949	1948	1947
INCOME:			
Discounts, commissions, interest and service charges earned.....	\$ 4,038,393	\$ 3,731,430	\$ 3,140,939
Miscellaneous income.....	37,087	33,969	50,719
Total income.....	\$ 4,075,480	\$ 3,765,399	\$ 3,191,658
EXPENSES:			
Acquisition, collection, general and administrative expenses.....	\$ 1,470,199	\$ 1,374,360	\$ 1,180,016
Interest expense.....	691,642	588,847	444,358
Provision for losses on receivables, less recoveries.....	453,397	359,538	389,577
Provision for Federal income taxes.....	546,000	556,000	444,300
Minority interest in net income of subsidiary.....	102,463	84,831	73,450
Total expenses.....	\$ 3,263,701	\$ 2,963,576	\$ 2,531,701
NET INCOME FOR THE YEAR.....	<u>\$ 811,779</u>	<u>\$ 801,823</u>	<u>\$ 659,957</u>

WALTER E. HELLER & COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 1949, 1948, AND 1947

	1949	1948	1947
PAID-IN SURPLUS			
BALANCE AT BEGINNING OF YEAR.....	\$ 1,128,511	\$ 1,128,511	\$ 1,128,459
Premium on sale of 4 shares of common stock.....	—	—	52
BALANCE AT END OF YEAR.....	<u>\$ 1,128,511</u>	<u>\$ 1,128,511</u>	<u>\$ 1,128,511</u>
EARNED SURPLUS			
BALANCE AT BEGINNING OF YEAR.....	\$ 2,790,289	\$ 2,467,901	\$ 2,311,581
ADD:			
Net income for the year, per accompanying statement.....	811,779	801,823	659,957
Reduction in prior-year provisions for losses on receivables, less applicable Federal taxes..	—	3,570	—
	<u>\$ 3,602,068</u>	<u>\$ 3,273,294</u>	<u>\$ 2,971,538</u>
DEDUCT:			
Dividends paid in cash on—			
5½% cumulative preferred stock (\$5.50 per share).....	\$ 148,679	\$ 149,936	\$ 151,171
4% cumulative preferred stock (\$4.00 per share).....	37,472	37,472	39,322
Common stock (1949 and 1948—90 cents; 1947—80 cents per share).....	295,597	295,597	262,751
	<u>\$ 481,748</u>	<u>\$ 483,005</u>	<u>\$ 453,244</u>
Unamortized portion of discount and expenses and call premium on debt redeemed in 1947, less applicable reduction of \$30,000 in Federal income taxes.....	—	—	50,393
	<u>\$ 481,748</u>	<u>\$ 483,005</u>	<u>\$ 503,637</u>
BALANCE AT END OF YEAR (see balance-sheet Notes 3 and 4 for surplus restrictions)..	<u>\$ 3,120,320</u>	<u>\$ 2,790,289</u>	<u>\$ 2,467,901</u>

WALTER E. HELLER & COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1949

(1) Receivables include balances of \$2,557,982 on which \$1,805,198 has been withheld from customers pending collection of receivables. Rediscounts include \$2,592,234 on which no balances have been withheld, since these receivables are collateralized by notes equal to 117% to 133% of the amounts advanced.

(2) The 5½% cumulative preferred stock is redeemable at, and has a preference in voluntary liquidation of \$105.00 per share, plus accrued dividends. The preference in involuntary liquidation is \$100.00 per share, plus accrued dividends. 27,162 of the shares outstanding carry nondetachable warrants expiring September 30, 1950, for purchase of 54,324 shares of common stock at \$17.50 per share.

The 4% cumulative preferred stock is redeemable at, and has a preference in voluntary liquidation of \$103.25 to \$102.00 per share, plus accrued dividends. The preference in involuntary liquidation is \$100.00 per share, plus accrued dividends. The 10,000 shares issued carry nondetachable warrants expiring June 30, 1951, for the purchase of 20,000 shares of common stock at \$23.25 per share.

The authorized and unissued common stock includes 74,324 shares reserved for purchase warrants and 6,407 shares reserved for sale to officers and employees.

(3) Under the terms of the 3½% note due in 1964, consolidated earned surplus of \$2,306,349 at December 31, 1949, is not available for cash dividends on or acquisition of capital stock of the Company. Under the preferred stock provisions, the Company may not pay cash dividends on common stock which would reduce consolidated net assets below 166⅔% of the aggregate par value of the outstanding preferred stock.

(4) Under the terms of the serial subordinated notes of National Acceptance Company of Chicago, that company may not pay cash dividends or acquire shares of its capital stock if as a result thereof its capital stock and consolidated surplus would be reduced below \$800,000. At December 31, 1949, the consolidated balance sheet of that company and its subsidiary showed capital stock and consolidated surplus of \$1,073,194.

(5) The Company has been sued for a substantial amount by a trustee in bankruptcy, in connection with the liquidation of an inventory loan. In the opinion of counsel the suit is not well founded and will be successfully defended.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange, within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.

(9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange, or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

OPINION OF COUNCIL

Messrs. Ryan, Condon & Livingston, attorneys, of Chicago, Illinois, state that in their opinion Walter E. Heller & Company was duly incorporated and is validly existing under the laws of the State of Delaware and is duly authorized to transact business in the State of Illinois, wherein its principal office is located; that 328,441 shares of Common Stock covered by this application, which are to be immediately subject to trading, have been validly issued and are fully paid and non-assessable shares of Common Stock of the Company; that the 80,731 shares of Common Stock covered by this application, which are reserved for admission to trading on notice of issuance, upon issuance thereof and payment of the consideration to be received by the Company therefor in accordance with the terms of the Common Stock Purchase Warrants and the Stock Purchase Plan described in this circular, will be fully paid and non-assessable shares of Common Stock of the Company; and that the shares of Common Stock covered by this application either have been registered under the Securities Act of 1933, as amended, or were exempt from registration thereunder at the time of their issuance.

GENERAL INFORMATION

The Company's principal executive office is at 105 West Adams Street, Chicago, Illinois.

The fiscal year of the Company ends on December 31st of each year.

The annual meeting of shareholders is on the first Tuesday of April of each year, at the office of the corporation, in Chicago, Illinois.

The Transfer Agent of the Company is the Continental Illinois National Bank and Trust Company of Chicago.

The Registrar of the Company is the Harris Trust & Savings Bank, Chicago, Illinois.

THIS CIRCULAR IS NOT A PROSPECTUS OR AN OFFER OF SECURITIES. THE INFORMATION HEREIN IS SUBJECT TO THE MORE COMPLETE INFORMATION AND STATEMENTS RELATING TO THE SECURITIES CONTAINED IN THE PROSPECTUSES AND REGISTRATION STATEMENTS AND EXHIBITS THERETO, FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MIDWEST STOCK EXCHANGE.

Arvin Industries, Inc.

(Formerly named Noblitt-Sparks Industries, Inc.)
(An Indiana Corporation)

Capital Stock

(Par Value \$2.50 Per Share)

Prepared by the Corporation

for

Midwest Stock Exchange

THE LIBRARY OF THE

MAR 20 1951

UNIVERSITY OF ILLINOIS

Arvin Industries, Inc. has made application to list 296,875 additional shares of its Capital Stock, having a par value of \$2.50 per share, on the Midwest Stock Exchange.

Said application was approved by the Executive Committee of the Midwest Stock Exchange on June 15, 1950.

THIS CIRCULAR WAS PREPARED BY THE CORPORATION FOR THE INFORMATION OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE CORPORATION SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Arvin Industries, Inc.

(Formerly named Noblitt-Sparks Industries, Inc.)
(An Indiana Corporation)

Capital Stock

(Par Value \$2.50 Per Share)

Reference is hereby made to the original application of Noblitt-Sparks Industries, Inc. to list on The Chicago Stock Exchange 60,000 shares of its Capital Stock, without par value, approved by the Governing Committee on April 25, 1928, and to supplemental applications of the Corporation approved under dates of June 5, 1929, December 11, 1929, December 10, 1930, December 29, 1933, October 7, 1936, December 2, 1936, December 2, 1937, December 23, 1937, April 19, 1938, August 29, 1939, September 19, 1944, October 7, 1947, and June 15, 1950.

Reference is also made to listing circulars published by the Corporation for The Chicago Stock Exchange, Numbers 631, 1013, 1185, 1381, 1504, 1653, 1699 and 1808.

CHANGE OF CORPORATE NAME

The shareholders of the Corporation, at a special meeting held June 29, 1950, adopted a proposed amendment to the Articles of Reorganization changing the name of the Corporation from Noblitt-Sparks Industries, Inc. to Arvin Industries, Inc. This change of name became effective on July 5, 1950.

CAPITALIZATION

(After Payment of Stock Dividend)

	Amount Authorized by Charter	Amount Issued
Capital Stock		
Capital Stock	1,500,000 shares	890,625 shares

PURPOSE OF ISSUE

The 296,875 additional shares of Capital Stock, having a par value of \$2.50 per share, being listed, will be issued as a stock dividend, at the rate of one-half of an additional share for each outstanding share, payable on July 6, 1950, to shareholders of record at the close of business on June 16, 1950. No fractional shares will be issued in payment of the stock dividend but in lieu thereof scrip certificates will be issued. The scrip certificates will be in bearer form and in the denomination of one-half of a share. Upon surrender, on or before July 7, 1952, to one of the Exchange Agents, of scrip certificates aggregating one full share of Capital Stock, the bearer thereof will be entitled to receive in exchange therefor a stock certificate for one full share, together with any dividends paid, during the period from July 6, 1950, to the date of such exchange, in respect of such full share. On July 8, 1952, or as soon thereafter as practicable, one of the Exchange Agents will sell for cash the number of shares of Capital Stock called for by the total scrip certificates outstanding at the close of business on July 7, 1952, and thereupon until July 7, 1956, the bearer of scrip certificates, upon surrender thereof for cancellation to either of the Exchange Agents, will be entitled to receive (without interest) his proportionate share of the proceeds of such sale and of any dividends paid, during the period from July 6, 1950, to and including July 7, 1952, upon the shares so sold. All scrip certificates not theretofore surrendered shall expire and cease to be of any force or effect at the close of business on July 7, 1956, and thereupon all unclaimed proceeds from the sale of shares of Capital Stock and all unclaimed dividends in the hands of the Exchange Agents shall be turned over and become the sole property of the Corporation.

OPINION OF COUNSEL

Messrs. Pam, Hurd & Reichmann, attorneys-at-law, Chicago, Illinois, have stated that, in their opinion, the Corporation has duly authorized the issuance of 296,875 shares of its Capital Stock as a stock dividend; that, upon the issuance thereof, said shares of Capital Stock will be validly issued, fully paid and non-assessable, with no personal liability attaching to the ownership thereof; and that the name of the Corporation has been duly changed from Noblitt-Sparks Industries, Inc. to Arvin Industries, Inc.

General Finance Corporation

(A Michigan Corporation)

Common Stock

(\$1 Par Value)

Prepared by the Company

for

Midwest Stock Exchange

MAR 29 1951

UNIVERSITY OF ILLINOIS

General Finance Corporation made application to list on Midwest Stock Exchange 50,000 additional shares of Common Stock, Par Value \$1 each, which are reserved for admission to trading on notice of issuance on sale to employees and officers.

This application was approved by the Executive Committee of Midwest Stock Exchange June 1, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

General Finance Corporation

(A Michigan Corporation)

Common Stock

(\$1 Par Value)

Reference is hereby made to the original application of General Finance Corporation to list on The Chicago Stock Exchange 854,050 shares of its common capital stock, par value \$1.00, approved by the Governing Committee on October 28, 1936 (Original Circular No. 1570). Reference is also made to the supplemental application of General Finance Corporation to list on The Chicago Stock Exchange 120,000 additional shares of its common capital stock, par value \$1.00, approved by the Governing Committee on January 27, 1937 (Supplemental Circular No. 1581). Reference is also made to the supplemental application of General Finance Corporation to list on The Chicago Stock Exchange 11,525 additional shares of its common capital stock, par value \$1.00, approved by the Governing Committee on December 8, 1937 (Supplemental Circular No. 1635). Reference is also made to the supplemental application of General Finance Corporation to list on The Chicago Stock Exchange 196,854 shares of 5% Cumulative Preferred Stock, Series A, approved by the Executive Committee on January 13, 1942 (Supplemental Circular No. 1684). Reference is also made to the supplemental application of General Finance Corporation to list on The Chicago Stock Exchange 176,854 additional shares of its Common Stock, par value \$1.00 per share, approved by the Executive Committee on February 3, 1942 (Supplemental Circular No. 1685). Reference is also made to the supplemental application to list on The Chicago Stock Exchange 180,000 additional shares of Common Stock, par value \$1.00 each, approved by the Executive Committee of The Chicago Stock Exchange May 7, 1946 (Supplemental Circular No. 1763). Reference is also made to the supplemental application of General Finance Corporation to list on Midwest Stock Exchange 109,018 additional shares of its Common Stock, par value \$1.00 per share, approved by the Executive Committee of Midwest Stock Exchange on December 13, 1949.

General Finance Corporation made application to list on Midwest Stock Exchange 50,000 additional shares of Common Stock, par value \$1.00 per share, which are reserved for admission to trading on notice of issuance. This application was approved by the Executive Committee of Midwest Stock Exchange on June 1, 1950.

CAPITALIZATION

(May 31, 1950)

Fifteen-Year 4% Subordinated Debentures, due August 1, 1960, Principal Amount \$1,000 each:	
Authorized	2,000 debentures
Outstanding	1,844 debentures
Fifteen-Year 4% Subordinated Debentures, Series B, due April 1, 1961, Principal Amount \$1,000 each:	
Authorized	1,250 debentures
Outstanding	1,183 debentures
Subordinated Note (4½%) due serially 1949-1953:	
Authorized	\$1,000,000
Outstanding	900,000
5% Cumulative Preferred Stock, Series A, Par Value \$10.00 each:	
Authorized	367,362 shares
Outstanding	154,216 shares*
4% Cumulative Convertible Preferred Stock, Series C, Par Value \$50.00 each:	
Authorized	60,000 shares
To be issued	60,000 shares**
Common Stock, Par Value \$1.00 each:	
Authorized	2,500,000 shares
Outstanding	1,029,242 shares
Reserved	169,439 shares***

* Includes 22,598 shares in treasury.

** Includes 4,015 shares in treasury.

*** 169,439 Common Shares are reserved for issuance upon conversion of the 4% Cumulative Convertible Preferred Stock, Series C.

PURPOSE OF THIS ISSUE

At the Annual Meeting of Stockholders of the Company held on May 9, 1950 a resolution was adopted authorizing the Board of Directors to sell to employees and officers of the Company and its subsidiaries up to 200,000 shares (but not more than 50,000 shares in any twelve month period) of authorized but unissued Common Stock. The purpose of such sales is to increase the incentive and interest in the Company of those of its personnel whose zeal, loyalty and ability most directly affect the Company's business. Pursuant to this resolution the Board of Directors on May 9, 1950 authorized sale of the 50,000 shares of Common Stock covered by this circular to officers and administrative employees of the Company and its subsidiaries at \$5.75 per share.

A committee of Directors not eligible to participate in the proposed offering has selected employees and officers to whom invitations to purchase stock will be made. This Committee has also fixed the amount of stock which will be allocated to each invitee. The stock will be sold for cash in each case. The Company will take from each purchaser a statement that the stock is being acquired by him as an investment. In addition, the purchaser will agree to consult with the Company on sale and to afford the Company or its appointee an opportunity to acquire his shares. The Company's policy will be to attempt to make the particular shares available for employee acquisition. However, the details of such policy have not been presently determined.

The proceeds from the sale of said 50,000 shares of Common Stock will be added to the Company's working capital.

OPINION OF COUNSEL

Messrs. McDermott, Will & Emery, attorneys at law, 111 West Monroe Street, Chicago, Illinois, state that in their opinion 50,000 shares of the Common Stock of General Finance Corporation have been duly authorized by proper corporate action for sale to employees of said corporation and its subsidiaries, and that such Common Shares when issued in the manner and for the consideration provided by the Board of Directors will be validly outstanding and full paid and non-assessable except for liability for labor performed for the corporation and not paid for by it, imposed on stockholders by the Constitution of the State of Michigan. They are further of the opinion that the issuance and sale is exempt from registration as an offering not in excess of \$300,000 under Section 3(b) of the Federal Securities Act of 1933.

Muskegon Piston Ring Company

(A Michigan Corporation)

Common Stock

(Par Value \$2.50 Per Share)

THE LIBRARY OF THE

MAR 29 1951

UNIVERSITY OF ILLINOIS

Prepared by the Company

for

Midwest Stock Exchange

Muskegon Piston Ring Company has made application to list 415,340 shares of the common stock, par value \$2.50 per share, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on June 19, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

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Muskegon Piston Ring Company

(A Michigan Corporation)

Common Stock

(Par Value \$2.50 Per Share)

Muskegon Piston Ring Company has made application to list 415,340 shares of its common stock, par value \$2.50 per share, on the Midwest Stock Exchange, the Executive Committee of which approved such application on June 19, 1950.

CAPITALIZATION

The capitalization of the Company, as of December 31, 1949, was, and as of June 19, 1950, continued to be, as follows:

<u>Capital Stock</u>	<u>Number of Shares Authorized</u>	<u>Number of Shares Outstanding</u>
Common stock, par value \$2.50 per share.....	500,000	415,340

None of the 84,660 shares of unissued common stock is reserved for any purpose or purposes and there are no contracts, agreements or options for the purchase or sale of any of such unissued stock.

The Company has no funded debt.

DESCRIPTION OF COMMON STOCK

The rights and privileges attached to each share of common stock are equal in all respects to the rights and privileges attached to every such other share of common stock including participation in dividends or assets of the Company. The holder of each share of common stock is entitled to one vote upon all corporate matters, including the election of directors subject, however, in the case of the election of directors to the statutory right of cumulating his vote pursuant to the provisions of Section 32 of The Michigan General Corporation Act.

HISTORY AND BUSINESS

Muskegon Piston Ring Company was incorporated under the laws of Michigan on April 22, 1926. Prior to March 31, 1936, its name was Sparta Foundry Company. On March 31, 1936, the Company acquired all of the property, assets and business of the original Muskegon Piston Ring Company which was incorporated in 1921. Its name, Sparta Foundry Company, was thereupon changed to Muskegon Piston Ring Company. The name Sparta Foundry Company was given a subsidiary corporation incorporated under the laws of Michigan on March 31, 1936, to protect the good will incident to that name, and to act as sales agent in the sale of the Company's piston ring castings.

The plants and properties of the original Sparta Foundry Company are located in Sparta, Michigan, about fifteen miles from Grand Rapids and thirty miles from Muskegon. This is now known as the Sparta Division.

The plants and properties of the original Muskegon Piston Ring Company are located in Muskegon, Michigan. This is now known as the Muskegon Division.

Offices are maintained at both Divisions, the principal accounting offices being located at the Sparta Division. Sales offices are maintained in Detroit to serve the automobile and engine building industries.

PRODUCTS

At its Sparta Division the Company produces a complete line of semi-finished piston ring castings for automobiles, airplanes, trucks, tractors, outboard and inboard marine engines, Diesel and steam engines, ice machines, railroad air brakes, hydraulic pumps, agricultural and industrial tractors, air compressors, automatic transmissions and other uses. It also produces valve seat insert castings and both ferrous and non-ferrous metal sealing ring castings. Production exceeds one hundred million castings per year. Approximately 40 per cent of Sparta Division's output is sold in United States and Canada to other piston ring manufacturers and 60 per cent is used in Muskegon Division's finished products. Four hundred people are employed at Sparta.

At its Muskegon Division the Company mainly produces finished piston rings for automobile, truck and Diesel engines for both original equipment and replacement. Sales are made direct to automobile and Diesel engine builders. The three leading car manufacturers have long been included among the customers of the Company. Many types of piston rings are manufactured. Six hundred people are employed.

PLANTS AND PROPERTY

The buildings at the Sparta Division consist of two foundries, a production machine shop, tool and pattern shop, chemical and physical research and testing laboratory, engineering department, offices and warehouses. The buildings contain 157,600 square feet of floor space, approximately one-third of which has been erected during the last seven years. Buildings are mostly of concrete block, steel and frame construction, equipped with automatic sprinkler systems, and are maintained in good repair.

Each foundry is equipped to the fullest practicable extent with mechanical conveyors. Molding machines and much other equipment is of the Company's own design. Machinery is carefully arranged for most efficient production. Locker-rooms, shower-baths and a cafeteria are provided for employees. A modern and well equipped research and testing laboratory is manned by a staff of four metallurgists.

An independent appraisal by Manufacturers Appraisal Company of Cleveland, Ohio, lists cost of reproduction of Sparta Division buildings, machinery and equipment at \$2,660,000 as of December 31, 1948, not including inventories.

The buildings at the Muskegon Division consist of factory manufacturing space, receiving, warehousing and shipping department, test house, engineering, office and cafeteria. Buildings, except for one built during the war when steel was not available, are of modern steel, brick and concrete construction. The buildings contain 104,566 square feet of floor space, approximately one-half of which has been erected in the last seven years. The buildings are equipped throughout with automatic sprinkler systems and are maintained in good repair. Here too, much study has been given to arrangement of machinery resulting in elimination of waste motion in manufacturing. A great portion of the jigs and fixtures used have been designed by the Company's engineers.

Because piston rings are considered among the most important components of internal combustion engines and because the efficient operation of engines depends to such a great extent upon perfection in design, materials and manufacture of the piston rings used, the Company's engineering, research and testing facilities are outstanding. Piston rings of present design and new designs in process of development for the future are constantly being tested for durability and efficiency through the use of the finest dynamometer testing equipment obtainable. A complete electro-plating plant is included among the facilities owned and operated.

The independent appraisal lists the cost of reproduction of buildings, equipment, machinery and fixtures of the Muskegon Division at \$2,100,000, not including inventories.

SUBSIDIARIES

Sparta Foundry Company is a totally-held subsidiary in which the investment of the Company consists of \$1,000.00. This subsidiary was incorporated under the laws of Michigan on March 31, 1936, to protect the good will incident to its name and to act as sales agent in the sale of the Company's piston ring castings. Inter-company transactions are limited to \$500.00 per year paid to this subsidiary by the Company as a fee for sales services rendered.

Wausau Motor Parts Company, a Wisconsin corporation, incorporated October, 1921, is engaged in manufacturing piston rings for replacement sale through independent jobbers as well as sales direct to engine builders and is also becoming an important producer of automatic transmission rings and valve seat inserts. This subsidiary had long been one of the Company's important customers for ring castings. On February 4, 1950, 54 per cent of the outstanding capital stock of this subsidiary was purchased by the Company for the sum of \$101,195.00. An appraisal completed in April, 1950, by Manufacturers Appraisal Company, lists cost of reproduction of this subsidiary's land, buildings and contents, not including inventories of stock and materials, at \$577,579.00. It is intended that this subsidiary will continue to operate as an independent unit and that the operations and business will not be merged with the operations and business of the Company.

STOCK DISTRIBUTION

Two thousand nine hundred seventy-three stockholders own the 415,340 issued shares of the common stock of the Company. The largest stockholder who is an officer and director owns 6,000 shares, less than 1½ per cent of the total issued and outstanding. The ten largest stockholders own 38,137 shares combined, less than 10 per cent of the total issued and outstanding. The officers and directors as a group own 16,148 shares.

558 stockholders own from	1 to	25 shares
686 stockholders own from	26 to	50 shares
862 stockholders own from	51 to	100 shares
529 stockholders own from	101 to	200 shares
117 stockholders own from	201 to	300 shares
74 stockholders own from	301 to	400 shares
43 stockholders own from	401 to	500 shares
68 stockholders own from	501 to	1,000 shares
38 stockholders own over	1,000 shares	

The stock is held by residents of forty-three states and the District of Columbia.

DIRECTORS AND OFFICERS

T. E. McFall, 62, Montague, Michigan, is President and Director and has served in that capacity for 21 years. He also is President of Extensole Corporation, a furniture manufacturer, and of Sparta State Bank.

H. G. Vaughan, 50, Sparta, Michigan, is First Vice-President and Director, and General Manager of Sparta Division. He has served in those capacities since 1932.

G. W. Lundeen, 47, Muskegon, Michigan, is Second Vice-President, Assistant Secretary and Director and is General Manager of Muskegon Division. He has been a Director and General Manager of Muskegon Division since September 15, 1941, and served as Treasurer from 1936 to 1944.

G. A. Fifield, 47, Sparta, Michigan, is Secretary and Assistant Treasurer. He has been Secretary since January 31, 1938, and prior to that time was production manager and purchasing agent.

H. P. Gangwer, 40, Sparta, Michigan, has been Treasurer and Comptroller since April, 1950. He formerly was Vice-President and Comptroller of Sterling Tool Products Company, Chicago, Illinois.

J. E. Johnson, Los Angeles, California, has served as Director since 1936. From 1936 to 1941 he served as Vice-President and General Manager of Muskegon Division. He also is a Director of Air Control Products Company, Coopersville, Michigan.

J. J. Schuitema, Muskegon, Michigan, has served as Director since March 1, 1939. He also is President of Schuitema Electric Co., Muskegon, Michigan.

Otto A. Seyferth, Muskegon, Michigan, has served as Director since 1941. He also is President and Director of West Michigan Steel Foundry Co., Muskegon, Michigan, and President of United States Chamber of Commerce.

H. McB. Thurston, Muskegon, Michigan, has served as Director since 1936. He also is President of Muskegon Trust Company, Muskegon, Michigan.

DIVIDEND RECORD

Cash dividends have been paid each year for 24 years. For the preceding ten years, dividends have been paid as follows:

<u>Year</u>	<u>per Share</u>	<u>Total Amount</u>
1940	\$1.25	\$259,607.50
1941	1.25	259,607.50
1942	1.25	259,607.50
1943	.90	186,917.40
1944	.80	166,148.80
1945	.90	186,909.40
1946	1.25	259,587.50
1947	1.67½*	659,694.50
1948	1.10	456,874.00
1949	.80	332,272.00

*Adjusted to reflect 100 per cent stock dividend paid in July, 1947.

FINANCIAL STATEMENTS

Financial statements, notes and supporting data are furnished as follows:

Auditors' Certificate.

Balance Sheet, December 31, 1949.

Statement of Profit and Loss for the three years ended December 31, 1949.

Statement of Surplus for the three years ended December 31, 1949.

Notes to Financial Statements for the three years ended December 31, 1949.

AUDITORS' CERTIFICATE

To the Officers and Board of Directors
of Muskegon Piston Ring Company:

We have examined the balance sheet of Muskegon Piston Ring Company, Muskegon, Michigan (a Michigan corporation) as of December 31, 1949, and the statements of profit and loss and surplus for the years ended December 31, 1947, 1948 and 1949. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the financial position of Muskegon Piston Ring Company at December 31, 1949, and the results of its operations for the years ended December 31, 1947, 1948 and 1949, in accordance with generally accepted accounting principles applied on a consistent basis.

LAWRENCE SCUDDER & CO.,
Certified Public Accountants.

Grand Rapids, Michigan,
March 31, 1950.

MUSKEGON PISTON RING COMPANY

BALANCE SHEET—DECEMBER 31, 1949

A S S E T S			
CURRENT ASSETS:			
Cash on Hand and Demand Deposits.....			\$ 481,930.83
Accounts Receivable—Trade	\$ 449,880.80		
Less: Reserve for Doubtful Accounts.....	4,607.88		445,272.92
Accounts Receivable—Other			881.64
United States Government Bonds and Accrued Interest.....	\$ 70,879.78		
Less: Reserve for Redemption Value.....	1,500.00		69,379.78
Cash Value Life Insurance.....			34,042.40
Inventories (Value at the Lower of Most Recent Cost or Market)—			
Rings and Castings Finished	\$ 252,049.07		
Rings and Castings in Process	141,400.16		
Raw Materials	85,874.01		
Foundry and Factory Supplies.....	184,852.30		
Inventory in Transit.....	6,768.11		670,943.65
Prepaid Insurance and Other Expenses.....			53,596.15
Total Current Assets.....			<u>\$1,756,047.37</u>
INVESTMENTS:			
Sundry	\$ 4,775.00		
Capital Stock—Sparta Foundry Company (Wholly Owned Subsidiary).....	1,000.00		5,775.00
FIXED ASSETS (COST) (NOTE 1):			
	Cost	Reserve for Depreciation	Net Book Value
Land	\$ 41,002.61	\$ —	\$ 41,002.61
Buildings and Building Equipment.....	771,566.78	360,236.03	411,330.75
Machinery and Equipment.....	2,244,974.38	1,284,740.35	960,234.03
Furniture and Fixtures.....	53,575.03	33,134.84	20,440.19
Totals	<u>\$3,111,118.80</u>	<u>\$1,678,111.22</u>	<u>\$1,433,007.58</u>
Equipment in Process of Manufacture—Own Plant.....			207.18
			<u>1,433,214.76</u>
INTANGIBLE ASSETS (NOTE 1):			
Patents and Patent Rights.....		\$ 29,672.71	
Less: Reserve for Amortization.....		28,337.40	1,335.31
PREPAID INSURANCE (IN EXCESS OF ONE YEAR).....			4,901.10
TOTAL ASSETS			<u><u>\$3,201,273.54</u></u>
L I A B I L I T I E S			
CURRENT LIABILITIES:			
Accounts Payable—Trade			\$ 110,590.52
Employees' Deductions for Withholding Tax, Etc.			15,680.49
Manufacturers' Excise Tax Payable.....			1,069.47
Accrued Liabilities—			
Salaries, Wages and Commissions.....		\$ 196,576.83	
Payroll Taxes		19,290.97	
Michigan Intangibles Tax.....		412.67	
Miscellaneous Expenses		6,200.00	222,480.47
Federal Taxes on Income.....		\$ 275,772.55	
Less: Tax Savings Notes and Accrued Interest.....		275,772.55	—
Total Current Liabilities.....			<u>\$ 349,820.95</u>
CAPITAL STOCK AND SURPLUS:			
Capital Stock—			
Common—Par Value \$2.50 per Share—			
Authorized	500,000 Shares		
Less: Unissued	84,660 Shares		
Issued and Outstanding	<u>415,340 Shares</u>	\$1,038,350.00	
Earned Surplus		1,813,102.59	2,851,452.59
TOTAL LIABILITIES			<u><u>\$3,201,273.54</u></u>

The accompanying notes are an integral part of this balance sheet.

MUSKEGON PISTON RING COMPANY

STATEMENT OF PROFIT AND LOSS

For the Three Years Ended December 31, 1949

	Year Ended December 31,		
	1947	1948	1949
Gross Sales, Less Discounts and Allowances.....	\$6,397,691.90	\$6,087,914.25	\$5,321,330.46
Cost of Goods Sold (Notes 1 and 2):			
Inventories—January 1 (Valued at the Lower of Most Recent Cost or Market).....	\$ 164,414.49	\$ 265,059.67	\$ 398,871.39
Net Purchases, Freight and Cartage In, Direct Labor, and Manufacturing Expenses....	4,521,594.11	4,558,773.81	4,288,257.73
Total	\$4,686,008.60	\$4,823,833.48	\$4,687,129.12
Less: Inventories—December 31 (Valued at Lower of Most Recent Cost or Market)...	265,059.67	398,871.39	479,323.24
Cost of Goods Sold.....	\$4,420,948.93	\$4,424,962.09	\$4,207,805.88
Gross Profit from Operations.....	\$1,976,742.97	\$1,662,952.16	\$1,113,524.58
Selling, General and Administrative Expenses.....	480,647.95	408,929.19	394,293.87
Net Profit from Operations.....	\$1,496,095.02	\$1,254,022.97	\$ 719,230.71
Other Income:			
Discounts Earned	\$ 12,130.05	\$ 11,353.82	\$ 7,717.40
Scrap and Miscellaneous Sales	6,629.32	13,713.54	14,967.91
Interest Earned	6,918.62	8,058.00	5,661.30
Miscellaneous	4,436.12	5,264.27	4,163.64
Profit or Loss* on Sales or Abandonment of Fixed Assets.....	3,861.49	1,003.33*	1,715.24*
Dividends Received (Sparta Foundry Company).....	350.00	350.00	350.00
Rental Received	465.00	—	—
Provision for Valuation of Bonds.....	300.00	300.00	300.00
Total	\$ 35,090.60	\$ 38,036.30	\$ 31,445.01
	\$1,531,185.62	\$1,292,059.27	\$ 750,675.72
Other Deductions:			
Provision for Bad Debts.....	\$ 2,683.29	\$ —	\$ 8,000.00
Loss as Guarantor on Note.....	—	—	5,701.24
Interest Expense	320.65	623.44	468.95
Total	\$ 3,003.94	\$ 623.44	\$ 14,170.19
Net Profit (Before Federal Taxes on Income).....	\$1,528,181.68	\$1,291,435.83	\$ 736,505.53
Federal Taxes on Income.....	582,786.79	488,424.29	275,772.55
Surplus Net Profit.....	\$ 945,394.89	\$ 803,011.54	\$ 460,732.98

The accompanying notes are an integral part of this statement of profit and loss.

MUSKEGON PISTON RING COMPANY

STATEMENT OF SURPLUS

For the Three Years Ended December 31, 1949

	Year Ended December 31,		
	1947	1948	1949
PAID-IN SURPLUS			
Balance at Beginning of Period.....	\$ 37,213.95	\$ —	\$ —
Deduct:			
Paid-In Surplus transferred to capital stock account in connection with stock split-up (Note 3).....	37,213.95	—	—
Balance at Close of Period.....	\$ —	\$ —	\$ —
CAPITAL SURPLUS			
Balance at Beginning of Period.....	\$ 339,480.19	\$ —	\$ —
Deduct:			
Capital Surplus transferred to capital stock account in connection with stock split-up (Note 3).....	339,480.19	—	—
Balance at Close of Period.....	\$ —	\$ —	\$ —
EARNED SURPLUS			
Balance at Beginning of Period.....	\$1,240,022.69	\$1,346,082.50	\$1,686,986.09
Add:			
Surplus Net Profit for the Year (Profit and Loss Statement).....	945,394.89	803,011.54	460,732.98
	\$2,185,417.58	\$2,149,094.04	\$2,147,719.07
Deduct:			
Earned Surplus transferred to capital stock account in connection with stock split-up (Note 3).....	\$ 142,480.86	\$ —	\$ —
Cash Dividends Paid—(Per Share 1947—\$2.05 (Note 4); 1948—\$1.10; 1949—80¢)..	695,694.50	456,874.00	332,272.00
Additional Federal Taxes on Income—Prior Years.....	1,159.72	5,233.95	2,344.48
	\$ 839,335.08	\$ 462,107.95	\$ 334,616.48
Balance at Close of Period.....	\$1,346,082.50	\$1,686,986.09	\$1,813,102.59

The accompanying notes are an integral part of this statement of surplus.

NOTES TO FINANCIAL STATEMENTS

Three Years Ended December 31, 1949

(1) The policy of the company, consistently maintained, has been to depreciate all fixed assets at rates based upon the estimated remaining life of the assets after giving consideration to salvage values. Plant equipment ledgers are maintained by the company. The estimated life is determined by an annual survey conducted by qualified company engineers. The rates used were as follows:

	Year Ended December 31,		
	1947	1948	1949
Buildings and Building Equipment.....	2—10 %	2—10 %	2 —10 %
Machinery and Equipment.....	1—33½ %	3—33½ %	3 —33½ %
Furniture and Fixtures.....	5—25 %	5—25 %	6¾—20 %

Cost of patents and patent rights is recovered through annual charges against income based on their legal life of seventeen years.

Charges for maintenance and ordinary repairs are charged against income in the year incurred. Renewals are charged against the applicable reserves for depreciation and betterments are either capitalized or charged against the respective reserves.

The applicable reserves for depreciation and amortization are removed from the records when and if assets are retired or otherwise disposed of.

(2) Existing contracts between the registrant and Locals 471 and 485 U. A. W.-A. F. L. provide for vacation pay to eligible factory employees, based upon percentages of the company's net earnings after taxes increasing from 2.5% on earnings of \$200,000.00 or less, at the rate of 1/10 of 1% on each additional \$10,000.00 of profits to \$300,000.00, thereafter at the rate of 2/10 of 1% on each \$10,000.00 of profits to a maximum of 5.5% on earnings of \$400,000.00 or over. This expense, based upon the rate applicable to earnings of employees, was accrued as follows: Year ended December 31, 1947—\$113,090.93; 1948—\$121,199.90; 1949—\$124,667.02.

(3) Stock split-up, share for share basis, on stock of record June 16, 1947, 207,670 shares of \$2.50 par value, distributed from paid-in surplus \$37,213.95, capital surplus \$339,480.19, earned surplus \$142,480.86, total \$519,175.00.

(4) Cash dividends paid in 1947; \$.75 on 207,670 shares, after stock split-up \$1.30 on 415,340 shares.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (6) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (7) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange.
- (8) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (9) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (10) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (11) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (12) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (13) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (14) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (15) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (16) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (17) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

McCobb, Heaney & Dunn, 900 Michigan Trust Building, Grand Rapids, Michigan, counsel of the Company, have given their opinion that the Company is duly organized as a corporation and in good standing under the laws of the State of Michigan; that all required acts have been performed and all required conditions have been met to make said 415,340 shares of common stock the duly authorized and validly issued and outstanding securities of Muskegon Piston Ring Company; that said 415,340 shares of common stock are fully paid and nonassessable and no personal liability attaches to the ownership of said shares of stock except the individual liability imposed by the Constitution of the State of Michigan on shareholders for all labor performed for a corporation; and that compliance with the Securities Act of 1933 with respect to said shares of stock is unnecessary except that with respect to 9,892 shares of said stock Muskegon Piston Ring Company has fully complied with the requirements of said Act by the filing heretofore of a Form A-2 Registration Statement (Registration No. 2-2245) with the Securities and Exchange Commission, Washington, D. C., on June 10, 1936, effective July 17, as of July 16, 1936.

No member of the firm of McCobb, Heaney & Dunn is an officer or a director of the Company.

GENERAL INFORMATION

Transfer Agent: Manufacturers National Bank, Detroit, Michigan.

Registrar: National Bank of Detroit, Detroit, Michigan.

The fiscal year of the Company ends December 31st of each year.

The annual meeting of stockholders is held at the Muskegon office of the Company at Sixth and Alpha Streets, Muskegon, Michigan, on the first Monday in June in each year.



Booth Fisheries Corporation

(a Delaware corporation)

Common Stock

(Par Value \$5 Per Share)

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Prepared by the Company

for

Midwest Stock Exchange

Booth Fisheries Corporation made application to list on the Midwest Stock Exchange 245,220 shares of its Common Stock, \$5 par value, 206,763 shares of which are to be immediately subject to trading and 38,457 shares of which are reserved for admission to trading on notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on August 16, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Booth Fisheries Corporation

(a Delaware corporation)

Common Stock

(Par Value \$5 Per Share)

Booth Fisheries Corporation made application to list on the Midwest Stock Exchange 245,220 shares of its Common Stock, \$5 par value, 206,763 shares of which are to be immediately subject to trading and 38,457 shares of which are reserved for admission to trading on notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on August 16, 1950.

CAPITALIZATION

as of August 9, 1950

	<u>Authorized</u>	<u>Outstanding</u>
Cumulative Preferred Stock, \$100 par value, issuable in series.....	25,000 Shares	
Cumulative Convertible Preferred Stock, 4% Series, \$100 par value.....		12,819 Shares(a)
Common Stock, \$5 par value	500,000 Shares(b)	206,763 Shares(c)

(a) After deducting 2,181 shares reacquired and held in the treasury for cancellation and retirement, not subject to reissue.

(b) 38,457 shares of Common Stock are reserved for issuance upon conversion of the shares of Cumulative Convertible Preferred Stock, 4% Series.

(c) After deducting 697 shares reacquired and held in the treasury for cancellation and retirement.

DESCRIPTION OF COMMON STOCK*

Dividend Rights:

Subject to the prior rights of the Cumulative Preferred Stock, dividends may be declared and paid on the Common Stock in such amounts as may be determined by the Board of Directors out of surplus or net profits legally available for payment of dividends.

The holders of the Cumulative Convertible Preferred Stock, 4% Series (the designation of the initial series of Cumulative Preferred Stock now outstanding) are entitled to cumulative preferential dividends at the rate of \$4 per share per annum.

Under the provisions of the Certificate of Incorporation, as amended, \$1,647,990 of the consolidated earned surplus of \$3,717,510 (as at April 29, 1950) is not available for payment of dividends on Common Stock. No dividends may be paid on the Common Stock which reduce consolidated current assets below consolidated total liabilities or which would reduce consolidated tangible assets, minus consolidated current liabilities, below 150% of the total of consolidated funded debt and the aggregate par value of the outstanding Cumulative Preferred Stock.

Voting Rights:

Each outstanding share of capital stock, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of stockholders. Cumulative voting obtains in the election of Directors. In the event of default in the payment of dividends on the Cumulative Preferred Stock to the extent of five quarter-annual dividends, the holders of Cumulative Preferred Stock, voting as a class, would be entitled to elect one-third of the total authorized number of Directors.

The voting rights of the Common Stock are further qualified by certain provisions relating to voting by classes. Such voting by classes, and the affirmative vote of the holders of at least 66⅔% of all of the shares of Cumulative Preferred Stock then outstanding, is required in certain circumstances as a condition precedent to certain acts by the Company and its subsidiaries. Such acts include, among others, the creation or assumption of any Funded Debt by the Company; the creation or assumption of any Funded Debt of any subsidiary of the Company; the issuance of any shares of Cumulative Preferred Stock in addition to the first 15,000 shares thereof issued by the Company; the creation of any class of stock ranking prior to, or on a parity with, the Cumulative Preferred Stock in respect of the payment of dividends or liquidation preferences; any amendment to the Certificate of Incorporation or the resolutions of the Board of Directors which might adversely affect the preferences, rights or powers of the Cumulative Preferred Stock; the issuance of Preferred Stock by any subsidiary of the Company; the authorization of any consolidation or merger of the Company; or the disposal of all, or substantially all, of the property of the Company.

Liquidation Rights:

Upon involuntary dissolution, liquidation or winding up of the Company, the holder of each share of Cumulative Preferred Stock of each series outstanding is entitled to receive an amount equal to the par value thereof, plus accrued unpaid dividends.

Upon voluntary dissolution, liquidation or winding up of the Company, the holder of each share of Cumulative Preferred Stock of each series is entitled to receive an amount equal to the then current redemption price of the shares.

After payment of the above preferential amounts to the holders of the Cumulative Preferred Stock, the remaining assets of the Company are distributable pro rata to the holders of the Common Stock.

Redemption Provisions:

The shares of Common Stock are not redeemable. The shares of Cumulative Convertible Preferred Stock, 4% Series now outstanding are redeemable at \$100 per share and accrued dividends; plus a premium of \$3 per share, to and including July 1, 1951, \$2 per share to and including July 1, 1956, and \$1 per share thereafter.

Purchase Fund:

The Company is required to set aside at the end of each fiscal year as a fund for the purchase, during the ensuing twelve months, of shares of Cumulative Convertible Preferred Stock, 4% Series, a sum equal to the lesser of (a) 2% of the aggregate par value of the shares of Cumulative Convertible Preferred Stock, 4% Series, outstanding at the close of such fiscal year; or (b) the Company's consolidated net income for such fiscal year after deducting accrued dividends on the Cumulative Preferred Stock and the amount of all sinking fund or purchase or retirement fund requirements on funded debt. There may be credited against the purchase fund for any fiscal year a sum equal to the cost of the shares of Cumulative Convertible Preferred Stock, 4% Series purchased or otherwise acquired by the Company (otherwise than through the operation of the purchase fund for such fiscal year) and which have been cancelled or retired or which are held in the treasury for retirement.

*This description is limited to a brief summary of the provisions of the Certificate of Incorporation, as amended, relating to the rights and limitations of the Common Stock, which the Company deem to be of paramount importance. The description is qualified in its entirety by reference to the Certificate of Incorporation of the Company, as amended, which is on file with the Midwest Stock Exchange and such Certificate of Incorporation should be consulted for a full and complete description of the securities of the Company, including the definition of certain terms used in this summary.

Conversion Rights:

The shares of Cumulative Convertible Preferred Stock, 4% Series presently outstanding are convertible at the option of the holder into Common Stock, \$5 par value, at any time up to and including July 1, 1956. The basis of conversion is expressed in terms of a dollar conversion price per share of Common Stock; and the number of shares of Common Stock issuable upon conversion of each share of the preferred is determined by dividing the sum of \$100 by the dollar conversion price of the Common Stock in effect at the time of conversion. The conversion price per share of the Common Stock is now \$33.33⅓ per share but this price may be reduced in the event the Company shall issue or sell any additional Common Stock without receiving therefor a consideration per share at least equal to the conversion price per share of the Common Stock then in effect.

HISTORY AND BUSINESS

The following is a brief description of the major business activities in which the Company* is engaged. For more complete information respecting the Company's activities and a statement of the general development of the business during the past five years, reference is made to the Form 10 Application for Registration of its securities filed by the Company with the Securities and Exchange Commission (File No. 1-3580) and the Midwest Stock Exchange. The description contained in this Circular is qualified in its entirety by reference to said Application for Registration.

Fish and Sea Foods:

The Company maintains, currently, 37 establishments and fishing stations of varying size and importance in the Northern states of the United States and in Canada for the production, procurement, processing, distribution and sale of fish and sea foods.

For the most part, fish are procured from independent fishermen and fish producers, although some portion of the fish handled by the Company is normally caught by fishing vessels owned by the Company and either chartered to independent fishermen or fished on shares. Through its branch at Boston the Company operates two fishing trawlers—the MAINE and the MABEL MAE. The catch of these trawlers is sold at auction on the New England Fish Exchange and the proceeds are divided with the crew on a share arrangement ("lay") negotiated with the fishermen's union.

Large quantities of salt water fish are normally obtained by competitive bidding on the New England Fish Exchange at Boston, Massachusetts, the Seattle Fish Exchange at Seattle, Washington and the Prince Rupert Fish Exchange at Prince Rupert, British Columbia. The Company also maintains salt-water fish buying stations at several points in Alaska and has a shrimp buyer at New Iberia, Louisiana.

Fresh water fish are obtained either by direct purchases from independent producers or through the procurement and production facilities of branches located at several points in Manitoba and Ontario, Canada, and at Warroad, Minnesota, Bayfield, Wisconsin, and Sandusky and Vermilion, Ohio.

The Company operates salt fish curing and packing establishments at Lubec, Maine and Blue Rocks, Nova Scotia for the processing of salt cured fish and herring. It also operates a cured fish processing and packing plant at Chicago, Illinois. The Company maintains facilities at Dallas, Texas for the cooking, peeling, cleaning, quick-freezing and packaging of shrimp.

The distribution and sale of fish and sea foods is carried on primarily through inland branches located at Boise, Salt Lake City, Denver, Lincoln, Omaha, Sioux City, Minneapolis, St. Paul, Chicago, Indianapolis, Cleveland, Buffalo, New York, Toronto, Hamilton (Ontario) and Winnipeg. These inland branches purchase their requirements of fish and sea foods both from the producing branches of the Company and from independent sources; and such fish and sea foods are resold at various levels of distribution to wholesalers, hotels, restaurants, retail stores, and, in a few minor instances, at retail. The policy of the Company is to make these branches, so far as possible, self-sustaining and independently profitable, and there is a considerable amount of inter-branch competition in both the procurement and sale of the commodities handled by them.

Quick-Frozen Foods:

The Company purchases quick-frozen fruits, vegetables and other foods from independent packers and processors and functions as a primary distributor in the resale of these commodities to independent wholesalers and to the Company's own wholesale branches. The wholesale branches of the Company also purchase quick-frozen fruits and vegetables directly from packers and processors for sale to retailers and other customers.

Public Cold Storage Warehouses:

The Company's wholly-owned subsidiary, Booth Cold Storage Company, a Missouri corporation, owns and operates three public cold storage warehouses located at St. Louis, Missouri, Minneapolis, Minnesota and St. Paul, Minnesota. Another wholly-owned subsidiary, Booth Cold Storage Co., an Illinois corporation, operates a public cold storage warehouse in the City of Chicago.

In each of these warehouses a general public cold storage warehouse business is conducted, which includes the freezing and/or warehousing of meats, eggs, poultry, butter, quick-frozen fruits and vegetables, and other commodities of the kind normally stored in public cold storage warehouses. The facilities of these public cold storage warehouses are used by the Company and its branches but less than 15% of the aggregate revenues of the warehouses are derived in this manner.

Sardine Canning:

The Company owns and operates a sardine canning factory at Lubec-Eastport, Maine. Sardine herring for canning are purchased from weir and seine fishermen and are transported to the factory in vessels owned or chartered by the Company. The bulk of the herring so obtained is packed in cotton seed oil, soy bean oil, mustard, or tomato puree in one-quarter pound hermetically-sealed tins. Some of the canned sardines are distributed through the Company's branches but the principal distribution is accomplished through canned food brokers.

All of the business activities in which the Company engages are highly competitive and subject to natural factors affecting the supply of the commodities in which it deals.

PLANT

The principal physical properties of the Company and its subsidiaries consist of the public cold storage warehouses at St. Louis, Minneapolis, St. Paul and Chicago; the trawlers, MAINE and MABEL MAE; the Company's plant at Seattle, Washington, and the sardine canneries and curing facilities at Lubec-Eastport, Maine. These properties account for approximately two-thirds of the aggregate net book value, as at April 29, 1950, of the plant and equipment of the Company and its subsidiaries.

The Company and its subsidiaries own or lease other items of land, buildings and other structures, small vessels, trucks and automobiles, machinery, equipment and other property, no single item of which is of material importance in relation to the total business enterprise.

As at April 29, 1950 the total plant and equipment with an aggregate net book value of \$2,678,000, was divided between the following major categories:

Cold storage warehouses	\$ 989,000
Boston trawlers	252,000
Other floating and fishing equipment	75,000
Seattle plant	207,000
Lubec-Eastport plants	146,000
Other buildings, leasehold improvements, docks, machinery, furniture, fixtures	505,000
Automotive equipment	180,000
Land	324,000

*In the description of the Company's activities the term "Company" includes wholly-owned subsidiaries.

The public cold storage warehouses at St. Louis, St. Paul and Minneapolis are owned in fee by Booth Cold Storage Company (Missouri), a wholly-owned subsidiary of the Company. The cold storage warehouse in Chicago, Illinois, which is operated by Booth Cold Storage Co., an Illinois corporation, a wholly-owned subsidiary of the Company, occupies a building leased from Northwestern University. The obligations of the lessee are guaranteed by the Company.

The trawlers, MAINE and MABEL MAE, the plant at Seattle, Washington, and the sardine-canning factory at Luebec-Eastport, Maine are owned in fee by the Company. The Company's various branches in the United States and Canada are housed in part in premises owned in fee by the Company or its Canadian subsidiary and in part in premises covered by short-term leases.

A material part of the Company's assets, aside from plant and equipment, consists of inventories of fresh and frozen fish and sea foods, salt and smoked fish, canned sardines, frozen fruits and vegetables and supplies. These inventories are normally at a low ebb at the end of April and mount sharply as various species of fish and sea foods and varieties of fruits and vegetables become available during the summer and fall season. Such inventories usually reach their high point in the latter part of November or the early part of December and then fall off again gradually. The Company normally requires substantial bank borrowings to supplement working capital in carrying seasonal increases in inventories.

SUMMARY OF EARNINGS

Fiscal Year Ending	Sales and Revenues	Income Before All Taxes	Income Taxes and Other Taxes	Net Income	Gain on Sale of Trawlers	Net Income and Trawler Gains	Earnings Per Common Share(1)	Dividends Paid Per Common Share
1940.....	\$ 9,542,871	\$ 341,936	\$ 188,433	\$153,503	\$ —	\$153,503	\$0.24	\$ —
1941.....	10,456,677	475,599	223,035	252,564	388,213	640,777	2.63	—
1942.....	14,026,312	1,014,795	585,826	428,969	—	428,969	1.64	—
1943.....	19,540,105	1,587,157	1,158,486	428,671	—	428,671	1.65	—
1944.....	22,624,192	1,814,897	1,376,655	438,242	49,923	488,165	1.94	—
1945.....	24,389,932	1,810,320	1,330,071	480,249	—	480,249	1.91	—
1946.....	24,915,837	1,715,629	1,106,837	608,792	—	608,792	2.63	.50
1947.....	26,846,480	1,144,489	530,512	613,977	—	613,977	2.66	1.00
1948.....	26,228,538	1,172,505	565,225	607,280	—	607,280	2.65	1.00
1949.....	27,072,151	1,168,114	579,102	589,012	—	589,012	2.57	1.00
1950.....	25,340,653	890,929	524,152	366,777	157,477	524,254	2.28	.80

NOTE:

(1) 1940-1949 is on basis of 207,460 shares of common stock outstanding at April 30, 1949. 1950 is on basis of 206,763 shares outstanding at April 29, 1950.

Earnings per common share are computed on the total of the net income and gains on sales of trawlers. Excluding the trawler gains, the earnings per share were \$0.78 in 1941, \$1.70 in 1944, and \$1.52 in 1950.

After payment or proper provision for current dividends on preferred stock outstanding during the fiscal year.

MANAGEMENT

The names and addresses of officers and directors of the Company are as follows:

Name of Director or Officer	Complete Mailing Address	Positions and Offices Held
R. P. Fletcher, Jr.	309 W. Jackson Blvd. Chicago 6, Illinois	President and Director
C. A. Linder	309 W. Jackson Blvd. Chicago 6, Illinois	Vice President, Treasurer and Director
R. G. Kentner	309 W. Jackson Blvd. Chicago 6, Illinois	Vice President
H. A. Gross	1220 N. Main Street St. Louis 6, Mo.	Vice President
F. R. Matlack	309 W. Jackson Blvd. Chicago 6, Illinois	Secretary
J. T. Janda	309 W. Jackson Blvd. Chicago 6, Illinois	Assistant Secretary and Assistant Treasurer
Benjamin V. Becker	One N. LaSalle Street Chicago 2, Illinois	Director
Chester A. Cook	161 E. Erie Street Chicago 11, Illinois	Director
Newton P. Frye	209 S. LaSalle Street Chicago 4, Illinois	Director
Herbert J. Lorber	231 S. LaSalle Street Chicago 4, Illinois	Director
F. M. Murchison	1737 Howard Street Chicago 26, Illinois	Director
J. Sanford Otis	209 S. LaSalle Street Chicago 4, Illinois	Director

INCENTIVE COMPENSATION PLAN

The Board of Directors has adopted, and the stockholders of the Company have approved, an Incentive Compensation Plan which provides, in brief, that the Company shall set aside at the end of each fiscal year, for distribution as additional compensation to executives and management personnel of the Company, a sum equal to 7% of the "incentive plan net income" of the Company. The "incentive plan net income" is defined as the net income of the Company and its wholly-owned subsidiaries before payment of, or provision for, Federal and foreign income taxes, adjusted by deducting therefrom an amount equal to 4% of the "incentive plan net capital employed." The "incentive plan net capital employed" for any fiscal year is defined as the aggregate, at the beginning of such fiscal year, of the amount of the capital account (comprising the capital stock issued and outstanding, paid-in surplus and earned surplus), and the amount of all reserves created or appropriated out of surplus, all as shown on the consolidated balance sheet of the Company and its wholly-owned subsidiaries. The Plan will be operative for the first time with respect to the fiscal year ending in 1951 and is intended as a substitute for the informal bonus arrangement which has been in effect in past years.

PENSION PLAN

The Company has in effect a non-contributory pension plan which is subject to termination at any time. The plan covers any present or future employee of the Company who is a regularly stated salary or wage-and-hour employee, receiving an annual compensation, exclusive of overtime, commission and bonus payments, of \$2,400 or more per year, whose compensation is not determined by a written contract of employment, who has reached the age of twenty-five but has not reached the age of sixty, and who has been continuously employed by the Company throughout the five years preceding entry into the plan.

The pension plan is designed to provide each participating employee a monthly income starting at normal retirement age, which, in general, is 65. In addition the plan provides for death benefits to the beneficiaries of the participating employees. The benefits under the plan are provided by the purchase by the Trustee thereunder (The Chase National Bank of the City of New York) of individual retirement income, endowment or annuity policies, maturing at normal retirement age. The entire cost of the plan is borne by the Company, which makes annual contributions to the Trustee for that purpose. It is estimated that the cost of the plan for the fiscal year commencing April 30, 1950 will be \$37,195.50. As at that date 96 employees were eligible to participate in the plan. Of the estimated cost for the fiscal year beginning April 30, 1950, \$10,321.19 will be applicable to five officers of the Company covered thereby, two of whom are also directors.

Mr. Herbert A. Gross, Vice President of the Company, is not eligible for participation under the pension plan. The Board of Directors has provided a similar separate retirement arrangement for Mr. Gross which will become effective when and in the event Mr. Gross retires after reaching age 65 in the employ of the Company. Mr. Gross has now reached the age of 65 but is still employed by the Company.

LITIGATION

There are no pending legal proceedings, other than ordinary routine litigation incidental to the business (or any proceedings known to be contemplated by government authorities) to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

FINANCIAL STATEMENTS

The following financial statements are included in this Circular:

1. Auditors' certificate.
2. Consolidated balance sheet—April 29, 1950.
3. Notes to consolidated balance sheet—April 29, 1950.
4. Statements of consolidated income for the fiscal years ended May 1, 1948, April 30, 1949 and April 29, 1950.
5. Statements of consolidated surplus for the fiscal years ended May 1, 1948, April 30, 1949 and April 29, 1950.

AUDITORS' CERTIFICATE

We have examined the consolidated balance sheet of BOOTH FISHERIES CORPORATION (a Delaware corporation) and subsidiaries as of April 29, 1950, and the related statements of consolidated income and surplus for the three fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of income and surplus present fairly the financial position of the companies as of April 29, 1950, and the results of their operations for the three fiscal years then ended, and were prepared in conformity with generally accepted accounting principles consistently applied during the period under review.

ARTHUR ANDERSEN & CO.

Chicago, Illinois.
June 23, 1950.

BOOTH FISHERIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—APRIL 29, 1950

A S S E T S				
CURRENT ASSETS:				
Cash				\$ 819,704
U. S. Government securities, at cost.....				125,725
Receivables—				
Customers' accounts			\$1,152,437	
Warehouse customers' notes (collateralized).....			146,107	
Other			145,681	
			<u>\$1,444,225</u>	
Less—Reserve			144,776	1,299,449
Inventories, at the lower of cost (first-in, first-out basis) or market—				
Fish and seafoods.....			\$1,479,336	
Quick-frozen fruits and vegetables.....			860,976	
Supplies			475,911	2,816,223
			<u>475,911</u>	
TOTAL CURRENT ASSETS.....				<u>\$5,061,101</u>
OTHER ASSETS:				
Investments, noncurrent receivables, etc. (at cost).....			\$ 75,863	
Prepaid insurance and other expenses.....			57,177	133,040
PLANT AND EQUIPMENT:				
	Cost	Reserves	Net	
Land	\$ 324,318	\$ —	\$ 324,318	
Buildings and leasehold improvements.....	2,084,027	1,008,099	1,075,928	
Machinery and equipment.....	1,210,697	440,031	770,666	
Automotive equipment	442,014	261,413	180,601	
Floating equipment	506,856	180,022	326,834	
	<u>\$4,567,912</u>	<u>\$1,889,565</u>	<u>\$2,678,347</u>	2,678,347
				<u>\$7,872,488</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable, trade.....				\$ 343,436
Dividends payable May 1, 1950 (preferred, \$12,896; common, \$31,014), less cash on deposit				—
Accrued payrolls and miscellaneous taxes.....				288,367
Provision for income taxes (Note 2).....				464,138
TOTAL CURRENT LIABILITIES				<u>\$1,095,941</u>
CAPITAL STOCK AND SURPLUS:				
Cumulative preferred stock, par value \$100 per share; authorized 25,000 shares, issuable in series—				
4% convertible series—authorized and issued 15,000 shares, less 2,104 shares in treasury (to be cancelled under stock purchase fund requirements).....			\$1,289,600	
(Redemption price \$103 to \$101 per share and preference in involuntary liquidation \$100 per share, plus accrued dividends; convertible into common stock at option of holder until July 1, 1956, at rate of three shares of common for each share of preferred)				
Common stock, par value \$5 per share; authorized 500,000 shares of which 45,000 shares are reserved for conversion of preferred stock; issued 207,460 shares, less 697 shares in treasury			1,033,815	
Surplus per accompanying statement—				
Paid-in surplus			735,622	
Earned surplus (Note 1)			3,717,510	6,776,547
COMMITMENTS:				
In accordance with its regular trade practice, the company has commitments under contracts for purchases of quick-frozen fruits and vegetables during the 1950 seasons of approximately \$1,000,000.				
				<u>\$7,872,488</u>

The accompanying notes are an integral part of this statement.

BOOTH FISHERIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED BALANCE SHEET

APRIL 29, 1950

- (1) Under preferred stock provisions, \$1,647,990 of consolidated earned surplus at April 29, 1950, is not available for cash dividends on, or purchase of, common stock. The company has also agreed that so long as the preferred stock is outstanding it will not make payments for cash dividends on, or purchase of, common stock, which would reduce consolidated current assets below consolidated total liabilities or which would reduce consolidated tangible assets minus consolidated current liabilities below 150% of the total of consolidated funded debt and the aggregate par value of the outstanding preferred stock.
- (2) The Bureau of Internal Revenue has proposed to disallow a portion of the depreciation deducted for tax purposes for the fiscal years 1945, 1946 and 1947. On the basis of the adjustments proposed by the Bureau, the additional taxes and interest payable for the years 1945-1950 would exceed by about \$60,000 the amounts provided therefor in the accounts. The company is of the opinion that the depreciation deductions were not excessive and is contesting the assessment of any additional taxes on this point.
- (3) The Company is negotiating for the establishment of a fish processing plant at Petit de Grat, Nova Scotia, and estimates that during the next two years this project may require an outlay of from \$500,000 to \$750,000 for trawlers and equipment.

BOOTH FISHERIES CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

FOR THE THREE FISCAL YEARS ENDED APRIL 29, 1950

	Fiscal Year Ended		
	April 29, 1950	April 30, 1949	May 1, 1948
SALES AND REVENUES	\$25,340,653	\$27,072,151	\$26,228,538
COSTS AND EXPENSES:			
Products, supplies, services, etc.	\$20,471,760	\$21,765,049	\$21,224,851
Wages, salaries and employee benefits	3,633,844	3,854,139	3,594,067
Depreciation provision on plant and equipment	297,696	284,849	237,115
Social security, State, local and general taxes	177,952	193,102	159,225
Provision for income taxes	346,200	386,000	406,000
Total costs and expenses	\$24,927,452	\$26,483,139	\$25,621,258
NET INCOME FROM OPERATIONS	\$ 413,201	\$ 589,012	\$ 607,280
DEDUCT—Loss on Canadian assets resulting from devaluation	46,424	—	—
NET INCOME BEFORE GAIN ON SALE OF TRAWLER	\$ 366,777	\$ 589,012	\$ 607,280
GAIN ON SALE OF TRAWLER, less income taxes of \$73,000 thereon	157,477	—	—
NET INCOME AND GAIN ON SALE OF TRAWLER	\$ 524,254	\$ 589,012	\$ 607,280

BOOTH FISHERIES CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

FOR THE THREE FISCAL YEARS ENDED APRIL 29, 1950

	Fiscal Year Ended		
	Apr. 29, 1950	Apr. 30, 1949	May 1, 1948
EARNED SURPLUS			
BALANCE AT BEGINNING OF YEAR	\$3,159,053	\$2,833,047	\$2,491,143
ADD:			
Net income for the year, per accompanying statement	366,777	589,012	607,280
Gain on sale of trawler, less income taxes thereon	157,477	—	—
Reversal of reserve for possible future inventory price decline appropriated from earned surplus in 1942	250,000	—	—
	\$3,933,307	\$3,422,059	\$3,098,423
DEDUCT:			
Cash dividends on—			
4% cumulative convertible preferred (\$4 per share)	\$ 52,822	\$ 55,547	\$ 57,917
Common stock (1950, \$.80 per share; 1949 and 1948, \$1.00 per share)	162,975	207,459	207,459
	\$ 215,797	\$ 263,006	\$ 265,376
BALANCE AT END OF YEAR	\$3,717,510	\$3,159,053	\$2,833,047
PAID-IN SURPLUS			
BALANCE AT BEGINNING OF YEAR	\$ 710,348	\$ 689,013	\$ 682,209
ADD:			
Discount on preferred stock purchased	21,790	18,046	6,404
Credit arising from expired common stock scrip certificates	3,484	—	—
Credit arising from disposition of idle property	—	3,289	400
BALANCE AT END OF YEAR	\$ 735,622	\$ 710,348	\$ 689,013

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago, within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange, except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said city. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is

transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.

(6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.

(7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for the listing of the securities as changed.

(8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.

(9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

Messrs. Levinson, Becker & Peebles, attorneys, of Chicago, Illinois, state that in their opinion Booth Fisheries Corporation was duly incorporated and is validly existing under the laws of the State of Delaware and is duly authorized to transact business in the State of Illinois, wherein its principal office is located; that 206,763 shares of Common Stock covered by this application, which are to be immediately subject to trading, have been validly issued and are fully paid and non-assessable shares of Common Stock of the Company; that the 38,457 shares of Common Stock covered by this application, which are reserved for admission to trading on notice of issuance will, upon issuance thereof in conversion of the outstanding Cumulative Convertible Preferred Stock, 4% Series, in accordance with the terms of the Certificate of Incorporation of the Company as amended, be fully paid and non-assessable shares of Common Stock of the Company; and that the shares of Common Stock covered by this application either have been registered under the Securities Act of 1933, as amended, or were exempt from registration thereunder at the time of their issuance.

GENERAL INFORMATION

The Company's principal executive office is at 309 West Jackson Boulevard, Chicago 6, Illinois.

The fiscal year of the Company is on a thirteen-period basis, closing on the Saturday of each year nearest to April 30th.

The annual meeting of stockholders is on the first Friday of August of each year at the office of the Company in Chicago, Illinois.

The Transfer Agent of the Company for its Common Stock is City National Bank and Trust Company of Chicago.

The Registrar of the Company for its Common Stock is the Continental Illinois National Bank and Trust Company of Chicago.

THIS CIRCULAR IS NOT A PROSPECTUS OR AN OFFER OF SECURITIES. THE INFORMATION HEREIN IS SUBJECT TO THE MORE COMPLETE INFORMATION AND STATEMENTS RELATING TO THE SECURITIES CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES, FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MIDWEST STOCK EXCHANGE.



the hallicrafters co.

(An Illinois Corporation)

Common Stock
(\$1.00 Par Value)

Prepared by the Company
for

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✓ **Midwest Stock Exchange**

There have heretofore been listed on the Midwest Stock Exchange 675,000 Common Shares, \$1.00 Par Value. Application has been made for the additional listing of 150,000 additional Common Shares, upon notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on September 22, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

the hallicrafters co.
(An Illinois Corporation)

COMMON STOCK

(\$1.00 Par Value)

The Hallicrafters Co. (hereinafter sometimes called the "Company") has listed on the Midwest Stock Exchange 675,000 Common Shares, par value \$1.00 per share. Application has been made for the additional listing of 150,000 additional Common Shares on the Midwest Stock Exchange upon notice of issuance. Said additional shares are to be issued as explained below under the heading "Terms of Offering". The application to list said additional shares was approved by the Executive Committee of the Midwest Stock Exchange on September 22, 1950.

CAPITALIZATION

	<u>Amount authorized</u>	<u>Amount outstanding Aug. 31, 1950</u>	<u>Amount to be outstanding after financing</u>
First Mortgage 4½% Notes, payable \$3,000 monthly through June 1, 1964, and \$13,000 on July 1, 1964.....	\$550,000	\$508,000(1)	\$508,000(1)
Second Mortgage 4% Notes, being paid at the rate of \$5,500 per month, final ma- turity July 15, 1954	430,000	78,000(2)	None
Common Shares (\$1 Par Value)	1,000,000 Shares	675,000 Shares	825,000 Shares

(1) Including \$36,000 carried as a current liability.

(2) Including \$66,000 carried as a current liability.

TERMS OF OFFERING

The Company has entered into an agreement with Kebbon, McCormick & Co., 231 South La Salle Street, Chicago, Illinois, and certain other Underwriters, under which the Underwriters have agreed to purchase 150,000 Common Shares from the Company, severally and not jointly, at \$8.325 per share. Said Underwriters have also agreed to purchase 150,000 issued and outstanding Common Shares from William J. Halligan, President of the Company, and members of his family, Raymond W. Durst, Vice President of the Company, and members of his family, and Joseph J. Frendreis, Secretary and Treasurer of the Company. The Underwriters propose to make a public offering of their respective portions of the 300,000 Common Shares on a date not later than five days after the effective date of a Registration Statement filed on Form S-1 with the Securities and Exchange Commission. After sale of the 300,000 Common Shares described herein, William J. Halligan and members of his family will own 200,600 Common Shares, or 24.3% of the outstanding Common Shares, and Raymond W. Durst and members of his family will own 51,700 Common Shares, or 6.3% of the outstanding Common Shares.

PURPOSE OF ISSUE

The net proceeds to be received by the Company from the sale of the additional 150,000 Common Shares will be used to pay the Company's short-term bank debt of \$800,000, of which \$600,000 is owed to The First National Bank of Chicago and \$200,000 is owed to the National Boulevard Bank of Chicago, to prepay the Company's Second Mortgage 4% Notes, which were outstanding in the principal amount of \$78,000 as of August 31, 1950, and the balance of the proceeds will be added to working capital.

OPINION OF COUNSEL

The legal opinion of Pope & Ballard, 120 South La Salle Street, Chicago 3, Illinois, covering the authorization, issuance and validity of the shares for which application for listing has been made, is filed with the Midwest Stock Exchange in support of the application. Said opinion states that the Common Shares, par value \$1.00 per share, for which application for listing has been made, when issued, will represent valid, full paid and non-assessable shares of the Company.

STATUS UNDER FEDERAL ACTS

A Registration Statement filed by the Company on Form S-1 under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, Washington, D. C., for the 300,000 Common Shares, par value \$1.00 per share, became effective October 9, 1950.

The 150,000 Common Shares to be offered by the Company have been registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

A. M. Castle & Co.

(An Illinois Corporation)

Common Stock (Par Value \$10 Per Share)

Prepared by the Company

for

Midwest Stock Exchange

A. M. Castle & Co. has made application to list on Midwest Stock Exchange 240,000 shares of Common Stock, par value \$10 per share, upon notice of issuance. Said shares will result from a 2 for 1 split-up of the Common Stock, par value \$10 per share, approved by the stockholders of the Company on November 16, 1950, and to be made effective by the filing of Articles of Amendment to the Articles of Incorporation with the Secretary of State of Illinois after 2:00 P.M., Central Standard Time, on November 17, 1950.

Said application was approved by the Executive Committee of the Midwest Stock Exchange on November 1, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

A. M. Castle & Co.

(An Illinois Corporation)

Common Stock (Par Value \$10 Per Share)

Reference is hereby made to the original application of A. M. Castle & Co. to list on The Chicago Stock Exchange 120,000 shares of its Common Stock, \$10 par value, approved on February 1, 1928, and to the supplemental application of the Company approved on March 11, 1937.

CAPITALIZATION (After Amendment Becomes Effective)

<u>Title of Issue</u>	<u>Amt. Auth. By Charter</u>	<u>Amount Issued</u>
Common Stock, Par Value \$10 per share.....	600,000 shares	480,000 shares

AUTHORITY AND PURPOSE OF ISSUE

The Board of Directors of the Company at a meeting duly held on October 18, 1950, recommended the adoption by the stockholders of the Company of an amendment to its Articles of Incorporation, as heretofore amended, to increase the authorized Common Stock from 300,000 shares of the par value of \$10 per share to 600,000 shares of the par value of \$10 per share, and to change each of the 240,000 outstanding shares of Common Stock, \$10 par value, into two shares of Common Stock, \$10 par value, being an aggregate of 480,000 shares of Common Stock, \$10 par value. The said amendment was submitted to and adopted by the stockholders at a special meeting held on November 16, 1950. The amendment is to be filed with the Secretary of State of Illinois after 2:00 P.M., Central Standard Time, on November 17, 1950.

By the amendment, \$199,396.75 will be transferred from paid-in surplus to stated capital and \$2,200,603.25 will be transferred from earned surplus to stated capital.

The purpose of the issuance of the additional 240,000 shares of Common Stock is to broaden the market for the Common Stock. The purpose of the increase in the authorized number of shares of Common Stock is to make the issuance of the 240,000 additional shares possible and to create 120,000 shares of authorized but unissued Common Stock available for future financing needs of the Company. However, the Company has no present plans for the issuance of any portion of said 120,000 shares.

COMMON STOCK CERTIFICATES

Instead of surrendering issued and outstanding stock certificates for shares of Common Stock, \$10 par value, for new stock certificates for twice the number of shares of Common Stock, \$10 par value, each holder of a stock certificate for shares of Common Stock, \$10 par value, issued and outstanding on the date on which the amendment, referred to above, is filed with the Secretary of State of Illinois shall be entitled to a certificate or certificates for one additional share of Common Stock, \$10 par value, for each one share of Common Stock, \$10 par value, held by him of record on said date.

OPINION OF COUNSEL

Mayer, Meyer, Austrian & Platt, of Chicago, Illinois, have given their opinion: that the necessary corporate proceedings to authorize the aforesaid amendment were duly taken in accordance with law; that said additional 240,000 shares of Common Stock, \$10 par value, issuable upon the filing of such amendment with the Secretary of State will upon issuance be duly authorized, validly issued, fully paid and non-assessable shares of the Company; that no personal liability will attach to the owners thereof; that by virtue of the provisions of Section 3(a)(9) of the Securities Act of 1933 no registration under said Act will be required in respect of said additional 240,000 shares of Common Stock; that such shares are entitled to temporary exemption from the operation of Section 12(a) of the Securities Exchange Act of 1934, under the provisions of Rule X-12A-5 of the Securities and Exchange Commission; and that the issuance of said 240,000 shares of Common Stock will not result in the recognition of any gain or loss to shareholders for Federal income tax purposes. Mr. H. Templeton Brown, a partner of said firm, is a director of the Company.

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TRAV-LER RADIO CORPORATION

(An Illinois Corporation)

Common Stock

(Par Value \$1.00 Per Share)

Prepared by the Company

for

Midwest Stock Exchange

Trav-Ler Radio Corporation has made application to list 761,995 shares of said Common Stock, \$1.00 par value, on Midwest Stock Exchange. Said application was approved by the Executive Committee of Midwest Stock Exchange on October 13, 1950.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

TRAV-LER RADIO CORPORATION

(An Illinois Corporation)

COMMON STOCK

(Par Value \$1.00 Per Share)

The Trav-Ler Radio Corporation has made application to list 761,995 shares of its common stock, \$1.00 par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on October 13, 1950.

CAPITALIZATION

The Capitalization of the Company as of November 1, 1950 was as follows:

	<u>Authorized</u>	<u>Outstanding</u>
Common stock, par value		
\$1.00 per share	1,000,000	761,995

DESCRIPTION OF COMMON STOCK

Dividend Rights: The holders of the Common Stock have the right to receive such dividends as the Board of Directors may declare out of the net earnings or surplus whenever the Board deems such action expedient.

Voting Rights: Holders of Common Stock are entitled to one vote for each share held, with the right of cumulative voting in the election of directors.

Liquidation Rights: Holders of Common Stock participate ratably in the distribution of the Company's net assets upon liquidation.

Preemptive Rights: The holders of the Common Stock have such preemptive rights to subscribe for future issues of the shares of the company as are granted by the corporation laws of the State of Illinois.

Fully paid and Nonassessable: The common stock is fully paid and nonassessable.

HISTORY AND BUSINESS

The Company, whose principal executive offices are located at 571 West Jackson Blvd., Chicago, Illinois, was incorporated under the laws of the State of Illinois on October 23, 1940 under the name of Trav-Ler Karenola Radio and Television Corporation. The corporate name was changed to Trav-Ler Radio Corporation on March 22, 1946.

On September 18, 1944 the company acquired its present wholly owned subsidiary then known as Orleans Chair Company. The corporate name of the subsidiary was changed to Orleans Mfg. Co. on December 27, 1944.

The company manufactures and sells console type and table model television receivers, portable and table model radios, electric phonographs and radio and phonograph combinations. At its main plant in Orleans, Indiana, the company fabricates and manufactures parts used in the products it manufactures; produces and finishes the wooden cabinets used for television receivers and produces and finishes approximately seventy-five per cent of its wooden cabinets used for radios, phonographs and combination radio and phonographs; manufactures record changers which it has developed and which are used in its phonograph and combination radios and phonographs; manufactures coils used in its televisions and radios and manufactures the automatic tuning units used in its television receivers. The company owns the necessary machinery and equipment to carry out these manufacturing operations. It does not manufacture such parts as tubes, speakers, condensers, resistors, etc. but purchases these from independent suppliers. The company is not dependent on any single source for any of its raw materials or purchased parts but purchases these from the usual trade channels.

The company sells its products under its own trade name, "Trav-Ler." It markets its products through established distributors located in various parts of the United States who in turn sell to retail dealers. In those sections of the United States where the company does not have established distributors, the company sells its products direct to retail dealers.

The company intends to continue in the business outlined above.

Net sales of the company, after discounts, returns and allowances and the net profits after Federal taxes on income for the years shown below are as follows:

	<u>Net Sales</u>	<u>Net Profit after taxes on income</u>
1946	\$ 6,087,886.41	\$ 424,974.17
1947	5,640,717.47	215,846.83
1948	5,322,148.26	70,213.03
1949	7,014,870.89	299,121.68
1950 (Jan. 1 to June 30)	6,391,244.12	544,455.28
1950 (Jan. 1 to Oct. 31)	12,358,610.59	*

* figures not yet available.

PLANTS AND PROPERTY

The company's main manufacturing operations are conducted in a factory building located in Orleans, Indiana. This factory is owned by the company's wholly owned subsidiary, Orleans Mfg. Co., which owns in fee simple approximately three acres of land on which the factory is located. The factory building is a basement and two-story brick building. This building is sprinkled throughout, is of mill construction, contains approximately 125,000 square feet and is directly served by a switchtrack of the Monon Railroad. The company occupies this property as lessee. The company owns in fee simple real estate located in Bedford, Indiana, consisting of a three-story and basement brick building of mill construction, sprinkled throughout, containing approximately 24,000 square feet and this building is presently used by the company for warehouse purposes. The company also owns in fee a four apartment building in Orleans, Indiana, which apartments are leased to employees of the company. The company leases a building in Orleans, Indiana, which is used as a warehouse. The company leases the executive office building in Chicago, Illinois.

The machinery and equipment in the company's plants, all of which are owned by the company or its subsidiary, are in first-class condition.

MANAGEMENT AND CONTROL

The names and addresses of all of the directors and officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Joe Friedman	571 West Jackson Boulevard Chicago, Illinois	President, Treasurer and Director
Ellis Friedman	Orleans, Indiana	Secretary and Director
Jeanette Friedman	571 West Jackson Boulevard Chicago, Illinois	Vice-President and Director
Isadore Edelstein	571 West Jackson Boulevard Chicago, Illinois	Vice-President
Frederick W. Straus	135 South LaSalle Street Chicago, Illinois	Director
L. Shirley Tark	1965 North Milwaukee Avenue Chicago, Illinois	Director

DIVIDENDS ON COMMON STOCK

The company has paid the following dividends:

July 10, 1950	10¢ per share
October 10, 1950	12¢ per share

On October 10, 1950 the outstanding capital stock of the corporation was split pursuant to a resolution adopted by its Board of Directors so that one additional share of stock of the corporation was issued for each five shares of common stock held by the shareholders.

FINANCIAL STATEMENTS

- (a) Certificate of Certified Public Accountants;
- (b) Balance sheets as of December 31, 1949 and June 30, 1950 with explanatory notes;
- (c) Profit and loss statements ended December 31, 1949 and June 30, 1950;
- (d) Statements of surplus ended December 31, 1949 and June 30, 1950.

CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
TRAV-LER RADIO CORPORATION
Chicago, Illinois
Gentlemen:

We have examined the Consolidated Balance Sheets of TRAV-LER RADIO CORPORATION and its wholly-owned subsidiary, as at December 31, 1949 and June 30, 1950 and the Consolidated Statements of Profit and Loss and Earned Surplus of TRAV-LER RADIO CORPORATION and its wholly-owned subsidiary for the year ended December 31, 1949 and the six month period ended June 30, 1950.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying Financial Statements together with the Notes pertaining thereto, present fairly the position of TRAV-LER RADIO CORPORATION and its wholly-owned subsidiary on December 31, 1949 and June 30, 1950 and the results of the operations of TRAV-LER RADIO CORPORATION and its wholly-owned subsidiary for the year ended December 31, 1949 and the six-month period ended June 30, 1950, in conformity with generally accepted accounting principles applied on a basis consistently maintained during the period under review.

H. R. HURVITZ & Co.
Certified Public Accountants

Chicago, Illinois
November 6, 1950.

TRAV-LER RADIO CORPORATION and its Wholly-Owned Subsidiary CONSOLIDATED BALANCE SHEETS DECEMBER 31, 1949 and JUNE 30, 1950

	December 31, 1949	June 30, 1950 (Note G)
A S S E T S		
CURRENT ASSETS:		
Cash on Hand and Demand Deposits	\$ 633,672.08	\$ 515,035.46
Accounts and Notes Receivable—less Notes Receivable discounted—(Note A)	\$ 384,221.20	1,110,000.40
Miscellaneous Receivables	10,255.74	5,261.06
Less Reserve for Bad Debts	\$ 394,476.94	\$ 1,115,261.46
	18,210.33	34,363.92
	\$ 376,266.61	\$ 1,080,897.54
Prepaid Insurance and Expenses	\$ 55,688.16	\$ 147,916.11
Inventories: (Note B)		
Raw Materials	\$ 700,957.42	\$ 2,112,226.95
Work in Process	45,229.41	638,510.56
Finished Goods	42,094.83	
	\$ 788,281.66	\$ 2,750,737.51
TOTAL CURRENT ASSETS	\$ 1,853,908.51	\$ 4,494,586.62
CASH VALUE OFFICER'S LIFE INSURANCE (Face \$275,000)	\$ 10,100.64	\$ 10,323.84
FIXED ASSETS: (Note C)		
Land, Buildings, Machinery and Equipment	\$ 535,392.44	\$ 680,671.29
Less Reserves for Depreciation and Amortization	212,284.57	248,376.00
NET FIXED ASSETS	\$ 323,107.87	\$ 432,295.29
INTANGIBLE ASSETS:		
Licenses—at nominal value	\$ 1.00	\$ 1.00
OTHER ASSETS:		
Deposits	\$ 6,425.00	\$ 3,925.00
Financing Costs	—	8,664.67
TOTAL OTHER ASSETS	\$ 6,425.00	\$ 12,589.67
TOTAL ASSETS	\$ 2,193,543.02	\$ 4,949,796.42
L I A B I L I T I E S		
CURRENT LIABILITIES:		
Notes Payable—Bank—R.F.C. Participation Loan (portion due within one year) (paid May 31, 1950)...	\$ 52,620.00	\$ —
Notes Payable—Bank	\$ —	\$ 1,330,000.00
Accounts Payable—Trade	\$ 340,931.84	\$ 553,227.54
Accrued Liabilities:		
Salaries, Wages and Commissions	\$ 19,413.43	\$ 27,758.00
State and Local Taxes	13,947.12	13,423.41
Federal Income and Excess Profits Taxes (Note D)	219,289.00	555,982.26
Federal Excise Taxes	22,836.28	60,583.81
Federal and State Social Security Taxes	13,084.21	16,628.84
Accrued Expenses	24,508.46	13,685.52
Dividends Payable	—	63,500.00
Construction Contracts Payable	—	56,140.64
	\$ 313,078.50	\$ 807,702.48
Employees' Income Tax Withheld	\$ 10,912.63	\$ 12,703.94
TOTAL CURRENT LIABILITIES	\$ 717,542.97	\$ 2,703,633.96
OTHER LIABILITIES:		
Notes Payable—Bank—R.F.C. Participation Loan (portion not due within one year) (paid May 31, 1950)	\$ 184,225.00	\$ —
TOTAL LIABILITIES	\$ 901,767.97	\$ 2,703,633.96
DEFERRED INCOME:		
Television receiver and parts warranty fees applicable to future periods (Note E)	\$ —	\$ 108,381.21
Less Federal Income Taxes thereon included in Current Liabilities above	—	45,500.00
NET DEFERRED INCOME	\$ —	\$ 62,881.21
C A P I T A L		
CAPITAL STOCK: (Note F)		
Common Stock—Issued and Outstanding	\$ 150,000.00	\$ 635,000.00
SURPLUS:		
Capital Surplus	\$ 148,073.01	\$ 335,156.25
Earned Surplus	993,702.04	1,213,125.00
TOTAL SURPLUS	\$ 1,141,775.05	\$ 1,548,281.25
TOTAL CAPITAL	\$ 1,291,775.05	\$ 2,183,281.25
TOTAL	\$ 2,193,543.02	\$ 4,949,796.42

See Notes to Financial Statements.

TRAV-LER RADIO CORPORATION
and its Wholly-Owned Subsidiary
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1949 AND THE SIX MONTH PERIOD ENDED JUNE 30, 1950

	Year 1949	Six Month Period Ended June 30, 1950 (Note G)
Gross Sales, less discounts, returns and allowances	\$ 7,014,870.89	\$ 6,391,244.12
Cost of Goods Sold (Note B)	5,969,666.10	4,998,919.51
Gross Profit on Sales	\$ 1,045,204.79	\$ 1,392,324.61
Selling, Shipping, General and Administrative Expenses	\$ 539,329.73	\$ 448,319.22
Provision for Bad Debts	17,539.69	16,249.06
Total Expenses	\$ 556,869.42	\$ 464,568.28
Operating Profit	\$ 488,335.37	\$ 927,756.33
Other Income:		
Miscellaneous Other Income	1,034.60	5,173.88
Total Income	\$ 489,369.97	\$ 932,930.21
Other Deductions:		
Interest Expense	\$ 7,634.85	\$ 5,450.24
Miscellaneous Other Deductions	—	524.69
Total Other Deductions	\$ 7,634.85	\$ 5,974.93
NET PROFIT BEFORE PROVISION FOR TAXES ON INCOME	\$ 481,735.12	\$ 926,955.28
Provision for Income Taxes (Note D)	182,613.44	382,500.00
NET PROFIT AFTER PROVISION FOR TAXES ON INCOME	\$ 299,121.68	\$ 544,455.28

See Notes to Financial Statements.

TRAV-LER RADIO CORPORATION
and its Wholly-Owned Subsidiary
CONSOLIDATED STATEMENTS OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1949 AND THE SIX MONTH PERIOD ENDED JUNE 30, 1950

CAPITAL SURPLUS	Year 1949	Six Month Period Ended June 30, 1950 (Note G)
Balance at beginning of period	\$ 148,538.97	\$ 148,073.01
Add:		
Proceeds of sale of 75,000 shares of common stock at \$6.25 per share aggregating \$468,750.00, less commissions and expenses of sale amounting to \$58,593.75 and less par value of shares amounting to \$75,000.00 reflected in stated capital account	—	335,156.25
	\$ 148,538.97	\$ 483,229.26
Deduct:		
Adjustment of prior year's income taxes of former subsidiary	465.96	—
Transfer to stated capital in re: stock split of April 20, 1950	—	148,073.01
Balance at end of period	\$ 148,073.01	\$ 335,156.25
EARNED SURPLUS		
Balance at beginning of period	\$ 694,449.54	\$ 993,702.04
Add:		
Net Income for year or period after Provision for Federal Income Taxes	299,121.68	544,455.28
Adjustment of income taxes of subsidiary for prior years	130.82	394.67
	\$ 993,702.04	\$ 1,538,551.99
Deduct:		
Transfer to stated capital in re: stock split of April 20, 1950	\$ —	\$ 261,926.99
Cash Dividends paid	—	63,500.00
	\$ —	\$ 325,426.99
Balance at end of period	\$ 993,702.04	\$ 1,213,125.00

TRAV-LER RADIO CORPORATION
and its Wholly-Owned Subsidiary
NOTES TO FINANCIAL STATEMENTS

Note A—Accounts and Notes Receivable represent customers' accounts summarized as follows:

	Dec. 31, 1949	June 30, 1950
Accounts Receivable	\$384,221.20	\$ 1,110,000.40
Notes (Trade Acceptances) Receivable	43,201.84	—
Total	\$427,423.04	\$ 1,110,000.40
Less Notes Receivable Discounted	43,201.84	—
Net Accounts and Notes Receivable	\$384,221.80	\$ 1,110,000.40

Note B—Inventories at December 31, 1949 represent physical count taken by employees of the Company and are stated at the lower of cost or market on the first-in first-out method. The inventories of June 30, 1950 were computed by the Company by adding to the physical inventories taken on December 31, 1949, the purchases made during the six-month period ended June 30, 1950 and deducting therefrom the cost of goods sold during the same period. We were present at the taking of the physical count at December 31, 1949, and made appropriate tests of quantities, prices and computations and satisfied ourselves generally that the Inventories were fairly stated.

Note C—The Fixed Assets are stated on the basis of Cost to the Company, less reserves for Depreciation or Amortization, except that Machinery and Equipment received by the Company on December 31, 1947 in the merger of a subsidiary included a net appraisal increase of \$14,328.91. This appraisal increase is being depreciated over the lives of the respective assets.

Maintenance, repairs and renewals are charged to expense accounts in the year incurred; betterments are added to asset accounts and depreciated over the estimated useful lives thereof. Accumulated provisions for depreciation applicable to assets retired or otherwise disposed of are eliminated from the depreciation reserve accounts and any gain or loss determined thereon is taken up through the respective income accounts.

As at June 30, 1950 the Company's subsidiary was in the process of building an addition to its Orleans, Indiana plant.

Note D—The Federal Income and Excess Profits Tax returns of the Company have been examined by the Bureau of Internal Revenue for all years to and including 1947. Income Tax returns for the Years 1948 and 1949 are subject to review by that Department. The Income Tax returns of the Company's subsidiary are subject to review for the Years 1947, 1948 and 1949. Claims for Relief from Excess Profits Taxes under Section 722 of the Internal Revenue Code for the Fiscal Years ended October 31, 1943 and October 31, 1944 were filed with the Bureau of Internal Revenue and are pending at the present time. No determination of the possible relief to be granted, if any, has been made and no amounts have been reflected on the records of the Company. The Company has withheld the aggregate sum of \$36,675.56 from its excess profits tax payments for those years under Section 710(a) (5) of the Internal Revenue Code and pending action on the claims for relief this sum is included in the liabilities of the Company.

The provision for Income taxes for the six-month period ended June 30, 1950 is computed at the rates provided in the Revenue Act of 1950.

Note E—During February 1950, the Company inaugurated a plan of television receiver and parts warranty to the original purchaser for a period of one year from the date of purchase. Under this plan a charge is made for the warranty, which charge is being credited to income on the basis of 1/12 thereof each month. The amount not yet charged off at the balance sheet date is reflected as deferred income. A full reserve for Federal income taxes on the entire deferred warranty charge is included in Current Liabilities and the amount of deferred income has been accordingly reduced thereby. Actual expenditures for parts replaced are included in the appropriate expense accounts of the Company.

Note F—On April 12, 1950 the Corporation amended its Articles of Incorporation to provide for an authorization of 1,000,000 shares of common stock with a par value of \$1.00 per share. On April 20, 1950 a stock split was effectuated by the issuance of additional shares in the aggregate amount of 410,000, making 560,000 shares outstanding as at that date. The split was accomplished by a transfer from Capital Surplus to Stated Capital of \$148,073.01 and from Earned Surplus to Stated Capital of \$261,926.99, making a total of \$410,000.00 transferred to the Capital Stock Account.

On May 15, 1950, the Company sold 75,000 additional shares of common stock at a price of \$6.25 per share, receiving net proceeds of \$410,156.25 therefor.

On October 10, 1950, the Company again split its stock, issuing one additional share for each five shares held.

Note G—Statements for the six month period ended June 30, 1950 are not based upon actual physical inventories taken at that date (See Note B for method of computation) or upon any direct verification of Receivables, (which was last made as at October 31, 1949). In all other respects the statements for the six month period ended June 30, 1950 are consistent with those for the year 1949.

Note H—There is at present pending against the Company in the Appellate Court of Illinois, an appeal from an order of the Superior Court of Cook County dismissing a complaint of one Irving H. Siegal for conversion of a steel mold and for alleged unfair competition. This is essentially similar to a case previously filed in which the Appellate Court of Illinois upheld a dismissal by the lower court and no liability has been set up on the records of the Company therefor. There are also two suits pending in the Superior Court of Cook County brought by General Utilities Corporation for termination of alleged franchises. These cases are being contested and no liability has been set up on the records therefor.

Note I—On February 13, 1950 the Company entered into an agreement with the Bank of America National Trust and Savings Association of San Francisco, California, providing for the financing by the Bank of wholesale distributors and/or retail dealers handling products manufactured by the Company. Under this agreement the Company will, on default of the customer, the dealer and the distributor, successively, in the case of retail financing, and on default of the dealer and distributor, successively, in the case of wholesale financing, repurchase the repossessed merchandise or defaulted contracts financed by the Bank. There are also certain provisions in the agreement whereby financing may take place without financial recourse to the dealer, for which a non-recourse fee is charged to the dealer and credited together with a special rate-differential credit to the Company's reserve account by the Bank, which credits are held as additional security under terms contained in the agreement. Further financing under this agreement may be terminated upon 30 days notice by either party. Certain limitations on the Company's liability are contained in the agreement. No amount has been set up on the records at June 30, 1950 to provide for the Company's contingent liability or contingent income (under the non-recourse fee) under this agreement and as at that date no notices of default thereunder had been given by the Bank.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange, as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the Company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the Company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the Company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned Company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the Company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the Company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the Company.

OPINION OF COUNSEL

Mr. Maurice G. Shanberg, a partner of the firm of Marshall & Marshall, 10 South LaSalle Street, Chicago 3, Illinois, counsel for the company, has rendered an opinion to Midwest Stock Exchange to the effect that Trav-Ler Radio Corporation has been legally and validly organized and is presently in existence; that the authorized capital stock of the company consists of one million common capital shares of a par value of \$1.00 each, of which 761,995 shares are validly and legally issued and outstanding and are fully paid and nonassessable; that with respect to the original and only public offering 315,000 of such issued and outstanding shares, full compliance with the provisions of the Securities Act of 1933 was had (Registration Statement became effective May 16, 1950.)

GENERAL INFORMATION

Transfer Agent: American National Bank and Trust Company of Chicago.

Registrar: Harris Trust and Savings Bank.

Fiscal year of the company ends December 31.

Annual meeting of the stockholders: Second Tuesday in April in each year.

The company's principal offices are located at 571 West Jackson Boulevard, Chicago, Illinois.



Texas Utilities Company

Common Stock
without par value

Prepared by the Company

for

Midwest Stock Exchange

This application was approved by the Executive Committee of Midwest Stock Exchange on January 10, 1951.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS HEREIN CONTAINED.

Texas Utilities Company

Common Stock

Without Par Value

Dallas, Texas
December 20, 1950

Texas Utilities Company, a Texas Corporation (hereinafter sometimes called "the Company"), hereby applies for the listing on the Midwest Stock Exchange of the following securities:

4,800,000 shares of its authorized and issued common stock, without par value.

OPINION OF COUNSEL

Messrs. Burford, Ryburn, Hincks and Ford, Interurban Building, Dallas, Texas, have rendered an opinion to the effect that the Company is a corporation duly organized and existing under the laws of the State of Texas, that the shares of common stock referred to in this application have been duly authorized and are valid and legally issued shares of the common stock of the Company, that the holders as such of said shares will be subject to no personal liability under the laws of Texas for debts of the Company, and that said shares of common stock are fully paid and nonassessable.

STATUS UNDER FEDERAL ACTS

Securities Act of 1933:

On March 21, 1950, a Registration Statement on Form S-1, under the Securities Act of 1933, became effective with respect to 400,000 additional shares of common stock, without par value (included in the shares of common stock proposed to be listed pursuant to this application), of the Company, which shares were subsequently sold by the Company to underwriters for prompt resale to the public. Such Registration Statement is effective at the date hereof.

Securities Exchange Act of 1934:

An application on Form 10 for the registration of the common stock of the Company under the Securities Exchange Act of 1934 is being filed at or about the time of the filing of this application for listing.

Public Utility Holding Company Act of 1935:

The Company is a public utility holding company as defined in the Public Utility Holding Company Act of 1935 and, from the date of its incorporation (September 4, 1945) until April 5, 1950, was a registered holding company subject to regulation by the Securities and Exchange Commission under such Act. On the latter date, the Securities and Exchange Commission issued its findings and order (HCA Release No. 9786) exempting the Company and all of its subsidiaries from regulation under such Act except as to Section 9(a)(2) and, until the common stock of the Company should be listed on a national securities exchange, except as to Sections 12(e) and 17 and Rules U-17-1, U-17-2, U-60 and U-61 thereunder.

HISTORY AND BUSINESS

The Company:

The Company is a corporation which was organized under the laws of Texas on September 4, 1945. It has offices at 1506 Commerce Street, Dallas, Texas, and 410 West Seventh Street, Fort Worth, Texas. The Company is empowered by its charter to subscribe for, purchase, invest in, hold, own, assign, pledge and otherwise deal in and dispose of shares of capital stock, bonds, mortgages, debentures, notes and other securities, obligations, contracts and evidences of indebtedness of domestic and foreign corporations.

On October 24, 1945, the Securities and Exchange Commission issued an order under the Public Utility Holding Company Act of 1935 authorizing the acquisition by the Company of shares of the common stocks of Dallas Power & Light Company, Texas Electric Service Company and Texas Power & Light Company (hereinafter sometimes called "the subsidiary operating companies"). In the related findings, the Commission found that the combination of the three companies under the Company would "have the tendency toward the economical and efficient development of an integrated public utility system required by Section 10(c)(2) of the Act". Pursuant to such order, the Company acquired approximately 91.27% of the then outstanding common stock of Dallas Power & Light Company and all of the then outstanding common stocks of Texas Electric Service Company and Texas Power & Light Company. The Company has made subsequent investments aggregating \$22,977,682.07 in the common stocks of its subsidiary operating companies with the proceeds of investments in the common stock of the Company by American Power & Light Company (former parent), in part from the proceeds of the sale of 400,000 shares of additional common stock in March 1950, and with other corporate funds.

The Company and its subsidiary operating companies are incorporated under the laws of Texas, the corporate existence of each being limited by its charter to a term of fifty years from the date of incorporation. Under the laws of Texas, a corporate charter may be extended at any time within ten years prior to the expiration thereof for an additional period of fifty years upon vote of a majority of the shares of capital stock then outstanding and upon a finding by the Secretary of State of Texas that the Company is then solvent and its capital unimpaired.

The Subsidiary Operating Companies:

The subsidiary operating companies are engaged in the generation, purchase, transmission, distribution and sale of electricity in an area lying wholly within the State of Texas, comprising approximately 72,700 square miles in the northern, eastern and western parts of the State, having a population estimated at more than two and one-quarter millions. The territory served by the subsidiary operating companies embraces 592 communities of which 445 have populations of one hundred or more. Dairying and the raising of beef cattle, sheep and poultry are substantial farm and ranch activities in the territory. Among the agricultural products which are produced in commercial quantities are cotton, corn, peanuts, grain sorghums, oats, wheat, onions, tomatoes and potatoes. In addition to extensive natural gas and petroleum reserves, lignite deposits estimated at more than 200,000,000 tons are located in the area. Numerous industries have located in the area in recent years and industrial growth

has been substantial. Among the principal industries served by the subsidiary operating companies are petroleum refining and pumping, food packing and processing, automobile battery and tire manufacturing, earthen products, cement, clay products and glass plants, ice and cold storage plants, cotton gins and oil mills, aircraft manufacturing and assembly plants, foundries, machine and metal working plants, grain elevators, flour, feed and grain mills, textile mills, furniture and woodworking plants.

The power supply facilities of the subsidiary operating companies consist principally of natural-gas-burning steam-electric generating stations strategically located with reference to fuel, protection of local loads and other controlling economic factors, interconnected by a transmission system operating for the most part at voltages of 60-66 kv and 132 kv. Lower overall investment and efficient use of plant are sought to be achieved in part through the co-ordinated scheduling of maintenance, inspection and overhaul of production and transmission facilities. Joint planning of the subsidiary operating companies permits the economical and efficient timing, location and size of new production facilities required.

Interconnections with the high voltage lines of neighboring systems make available primary, secondary and emergency power from Southwestern Power Administration, Lower Colorado River Authority and Brazos River Transmission Electric Cooperative, Inc. There are also interconnections with other neighboring utilities and industrial and miscellaneous sources.

The communities with 1950 U. S. Census populations in excess of 10,000 supplied at retail with electric services are: Big Spring, Brownwood, Cleburne, Corsicana, Dallas, Denison, Fort Worth, Gainesville, Garland, Grand Prairie, Highland Park, Lamesa, Lufkin, McKinney, Midland, Nacogdoches, Odessa, Palestine, Paris, Sherman, Snyder, Sweetwater, Temple, Terrell, Tyler, University Park, Waco, Waxahachie, White Settlement and Wichita Falls.

OPERATING STATISTICS

(Consolidated)

Twelve Months Ended December 31,					
	1945	1946	1947	1948	1949
ELECTRIC ENERGY GENERATED AND PURCHASED					
(THOUSANDS OF KWH):					
Generated—Net Station Output	2,274,798	2,278,830	2,664,349	3,084,240	3,384,884
Purchased and Net Interchange	374,647	369,897	323,212	258,654	254,170
Total Generated and Purchased ...	2,649,445	2,648,727	2,987,561	3,342,894	3,639,054
Company Use, Distribution and Transmission Losses and Unaccounted For	401,168	459,322	497,997	510,250	524,734
Total Energy Sales	2,248,277	2,189,405	2,489,564	2,832,644	3,114,320
ELECTRIC SALES (THOUSANDS OF KWH):					
Residential	329,528	380,259	442,255	513,517	587,326
Rural (Farm)	34,416	43,710	56,286	72,132	87,331
Commercial	566,608	563,480	649,316	772,753	885,298
Industrial	950,475	857,822	991,900	1,117,687	1,162,315
Governmental and Municipal	107,192	119,024	132,356	154,570	161,989
Total General Business	1,988,219	1,964,295	2,272,113	2,630,659	2,884,259
Other Electric Utilities	210,025	169,901	161,846	149,237	195,182
Railroads and Railways	50,033	55,209	55,605	52,748	34,879
Total Energy Sales	2,248,277	2,189,405	2,489,564	2,832,644	3,114,320
NUMBER OF CUSTOMERS—END OF PERIOD:					
Residential	330,358	357,309	385,745	416,030	445,059
Rural (Farm)	42,613	48,580	55,758	62,589	66,301
Commercial	46,701	52,656	57,704	60,950	62,956
Industrial	5,855	6,708	7,709	8,032	8,772
Governmental and Municipal	1,957	2,082	2,262	2,522	2,798
Total General Business	427,484	467,335	509,178	550,123	585,886
Other Electric Utilities	49	50	58	58	67
Railroads and Railways	2	2	2	2	1
Total Electric Customers	427,535	467,387	509,238	550,183	585,954
OPERATING REVENUES:					
Residential	\$12,839,724	\$13,794,381	\$15,508,904	\$17,784,419	\$19,999,084
Rural (Farm)	1,905,924	2,248,511	2,644,707	3,282,234	3,844,737
Commercial	11,897,635	12,654,246	14,687,769	17,121,444	19,310,250
Industrial	10,726,772	10,195,137	11,376,189	12,635,258	13,338,142
Governmental and Municipal	1,161,122	1,277,162	1,388,992	1,600,405	1,735,442
Total General Business	\$38,531,177	\$40,169,437	\$45,606,561	\$52,423,760	\$58,227,655
Other Electric Utilities	1,352,566	1,083,366	1,028,069	997,049	1,247,852
Railroads and Railways	258,377	246,087	243,129	264,085	111,233
Total from Energy Sales	\$40,142,120	\$41,498,890	\$46,877,759	\$53,684,894	\$59,586,740
Miscellaneous Revenues	356,597	379,321	415,348	509,524	568,726
Total Electric Revenues	\$40,498,717	\$41,878,211	\$47,293,107	\$54,194,418	\$60,155,466

PROPERTY

The Company owns no plants or real property. The principal properties of the subsidiary operating companies include generating stations, substations, transmission and distribution lines, transportation equipment, office buildings and service buildings, all of which in the aggregate represent the larger part of the investment in property. However, no single item at one location, with the possible exception of larger generating stations, is deemed to represent a major item of investment with relation to the total business of the subsidiary operating companies.

The subsidiary operating companies own and operate 24 fuel-electric generating stations with total net capability of 781,425 kw. All of the principal generating stations utilize natural gas, with oil as reserve fuel. Principal suppliers of natural gas to the subsidiary operating companies are Lone Star Gas Company, United Gas Pipe Line Company and Gulf Oil Corporation.

Trinidad generating station of Texas Power & Light Company formerly operated on powdered lignite and can be reconverted to use this fuel. Texas Power & Light Company owns lignite mines near Trinidad with estimated reserves of 23 million tons. In addition, most recent generating station installations have been constructed to permit conversion to utilization of hard fuels.

The following information with respect to properties and operations of the subsidiary operating companies is as of October 31, 1950, except as set forth below:

Electric Generating Stations:

<u>Name and Type of Prime Mover</u>	<u>Year Installed</u>	<u>Number and Nameplate kw</u>	<u>Net Capability kw*</u>
<i>In Operation:</i>			
Trinidad—Steam Turbine	1949	1-60,000	187,800
	1943	1-25,000	
	1931	1-35,000	
	1926	2-20,000	
	1926	1- 1,200	
Mountain Creek—Steam Turbine	1950	2-12,500	162,500
	1949	1-60,000	
	1945	1-25,000	
	1938	1-31,250	
Dallas—Steam Turbine	1929	1-25,000	91,000
	1926	1-25,000	
	1923	1-20,000	
	1914	1- 7,500	
	1912	1- 5,000	
Permian Basin—Steam Turbine	1949	2-12,500	52,000
	1948	2-12,500	
Fort Worth—Steam Turbine	1922	1-20,000	50,500
	1919	1-15,000	
	1913	1- 5,000	
	1912	1- 4,000	
New Handley—Steam Turbine	1948	1-43,750	45,000
Morgan Creek—Steam Turbine	1950	2-18,750	44,000
Leon—Steam Turbine	1928	1-12,500	39,100
	1925	1- 6,000	
	1923	1- 6,000	
	1920	2- 3,000	
Wichita Falls—Steam Turbine	1949	2-12,500	36,600
	1920	1- 6,000	
	1919	1- 3,000	
	1916	1- 1,000	
	1912	1- 500	
	1911	1- 400	
Waco—Steam Turbine	1949	1-12,500	27,000
	1915	1- 6,000	
	1914	1- 6,000	
14 Steam and Diesel Generating Stations ..various		various	45,925
Total Interconnected System			781,425
<i>Under Construction and on Order:</i>			
	<u>Scheduled for Service</u>	<u>Number and Nameplate kw</u>	<u>Net Capability kw*</u>
New Handley—Steam Turbine	1950	1-75,000	80,000
Dallas—Steam Turbine	1951	1-60,000	70,000
Gainesville—Diesel	1951	1- 1,000	1,000
Gainesville—Gas Turbine	1952	1- 5,000	5,000
Fort Worth—Steam Turbine	1952	1-75,000	80,000
Morgan Creek—Steam Turbine	1952	1-40,000	44,000
Parkdale—Steam Turbine	1953	1-75,000	80,000
New Site—Steam Turbine**	1953	1-75,000	80,000
New Site—Steam Turbine**	1954	1-75,000	80,000
Total under Construction and on Order			520,000

*“Net Capability” as used herein for stations in operation represents demonstrated load-carrying ability under actual operating conditions and for stations under construction is the expected net capability under such conditions.

** Studies are in progress to determine location.

The interconnected transmission system of the subsidiary operating companies experienced a one-hour integrated net peak demand of 822,500 kw during the hour ending at 3 p. m., August 10, 1950. The sources of power at that time were as follows:

System generated	731,700
Received from Lower Colorado River Authority	21,000
Received from Southwestern Power Administration	41,000
Received from Brazos River Transmission Electric Cooperative, Inc. ..	22,000
Received from other sources	10,100
Less Deliveries to other utilities	3,300
Total	822,500

Transmission and Distribution Lines:

<u>Voltage</u>	<u>Total Pole Miles</u>
132 kv	794.5
66-60 kv	2,680.5
33-22 kv	553.1
13 kv and lower	21,634.1
Underground Conduit Bank	62.5
Total	25,724.7*

*Includes 93.7 miles leased from others.

Substations:

The subsidiary operating companies own and operate 270 substations, excluding those serving a single customer, with a total transformer capacity of 2,215,850 kilovolt-amperes, including capacity located at generating stations.

Maintenance of Property:

It is the opinion of the subsidiary operating companies that their respective operating properties are adequately maintained in good operating condition.

Titles:

The electric generating stations of the subsidiary operating companies are generally located on lands owned in fee simple. The greater portion of the transmission and distribution lines of the companies have been constructed over lands of private owners pursuant to easements or on public highways and streets pursuant to appropriate permits. The rights of each subsidiary operating company in the realty on which its properties are located are considered by it to be adequate for its use in the conduct of its business. Minor defects and irregularities customarily found in properties of like size and character exist, but such defects and irregularities do not materially impair the use of the properties affected thereby. The subsidiary operating companies have the right of eminent domain whereby they may, if necessary, perfect or secure titles to privately-held lands used or to be used in their utility operations.

Substantially all of the properties of each subsidiary operating company are subject to the lien of the mortgage and deed of trust securing the first mortgage bonds of such company.

MANAGEMENT

The names and addresses of the directors and officers of the Company, all of whom are now serving as such, are as follows:

Howard L. Aller.....	1506 Commerce Street, Dallas, Texas	Director and President
William P. Bomar.....	1101 East Ninth Street, Fort Worth, Texas	Director
Richard Bullwinkle.....	1506 Commerce Street, Dallas, Texas	Secretary and Assistant Treasurer
John W. Carpenter.....	Interurban Building, Dallas, Texas	Director and Vice President
John W. Frost.....	40 Wall Street, New York, New York	Director
James B. Howell.....	166 Geary Street, San Francisco, California	Director
Miller Huhn.....	Two Rector Street, New York, New York	Assistant Secretary
J. L. Latimer.....	Magnolia Building, Dallas, Texas	Director
George L. MacGregor.....	1506 Commerce Street, Dallas, Texas	Director and Vice President
B. B. Sanders.....	410 West Seventh Street, Fort Worth, Texas	Treasurer and Assistant Secretary
J. B. Thomas.....	410 West Seventh Street, Fort Worth, Texas	Director and Vice President
R. L. Wheelock.....	Corsicana, Texas	Director

All of the officers have held their respective positions since organization of the Company in September 1945 except Mr. Huhn who became Assistant Secretary on May 19, 1950. For more than five years Mr. Aller has been Chairman of the Board and President and Mr. Huhn has been an employee of American Power & Light Company, Mr. MacGregor has been Chairman of the Board, President and General Manager of Dallas Power & Light Company, and Mr. Thomas has been President and General Manager of Texas Electric Service Company. Mr. Carpenter has been Chairman of the Board of Texas Power & Light Company since June 15, 1949, prior to which time he had been President and General Manager of Texas Power & Light Company for more than five years. Mr. Bullwinkle was an employee of Dallas Power & Light Company and subsequently of American Power & Light Company, and Mr. Sanders was an employee of Ebasco Services Incorporated for more than five years prior to organization of the Company. All of the officers of the Company reside either in Dallas, Texas, or Fort Worth, Texas except Mr. Huhn who resides in Tenaflly, New Jersey.

The principal business affiliations of the directors of the Company, other than directors who are also officers of the Company, are as follows:

- WILLIAM P. BOMAR**
President of Bewley Mills; Director of Texas Electric Service Company; Chairman of the Board of Associated Employers Lloyds Insurance Co., General Insurance Company and Houston Fire & Casualty Company. Residence: Fort Worth, Texas.
- JOHN W. FROST**
Lawyer; President of the Board of Overseers of Bowdoin College. Residence: Pleasantville, New York.
- JAMES B. HOWELL**
Vice President of Lawrence Warehouse Company; President of Peninsula Creamery Company. Residence: Atherton, California.
- J. L. LATIMER**
President of Magnolia Petroleum Company and Magnolia Pipe Line Company. Residence: Dallas, Texas.
- R. L. WHEELOCK**
Director and Member of the Executive Committee of American Petroleum Institute; Oil and Cattle Businesses. Residence: Corsicana, Texas.

EMPLOYEE RELATIONS

As of October 31, 1950 the Company and the subsidiary operating companies had 5,947 employees, an increase of 355, or 6.3 percent, over the number employed at the end of the preceding year. Relations with such employees are considered to be on a satisfactory basis. Dallas Power & Light Company and Texas Power & Light Company have contracts with the International Brotherhood of Electrical Workers (affiliated with the American Federation of Labor) covering approximately 600 employees.

Group life insurance in various amounts not exceeding \$10,000, depending upon length of service and remuneration received, is provided and paid for in part by the companies and in part by employees. The companies also make available to employees hospitalization, surgical and medical expense protection, the cost of which is largely borne by employees.

The Company and each of its subsidiary operating companies have retirement plans for employees which became effective at various dates from July 1, 1944 to January 1, 1947. Such plans are substantially uniform in their provisions. The companies pay all the costs of the plans. Generally, all full-time employees who have attained age 30 and have completed at least three years of continuous service automatically become members. The plans provide for normal retirement of employees at age 65, with earlier-than-normal retirement under certain conditions. The plans provide that they may be terminated by the respective companies' boards of directors, in which event all assets of the plans shall be used for the benefit of members and retired members thereunder.

DIVIDEND RECORD

The Company has declared and paid common stock dividends since its organization in September, 1945, as follows:

<u>Year</u>	<u>Shares Outstanding End of Year</u>	<u>Dividend Per Share</u>	<u>Total Dividends</u>
1945 (last 4 months).....	2,001,000(1)	\$0.24+	\$ 500,000
1946	2,001,000(1)	1.99+	4,000,000
1947	4,000,000	1.00	4,000,000
1948	4,000,000	1.10	4,400,000
1949(2)	4,400,000	1.15	4,840,000
1950(3)	4,800,000	1.28(4)	6,016,000(4)

(1) Reclassified in March 1947 to 4,000,000 shares, without change in aggregate stated value.

(2) 400,000 shares issued in July 1949.

(3) 400,000 shares issued in March 1950.

(4) Includes dividend of 32 cents per share payable January 2, 1951 to stockholders of record November 30, 1950.

Dividends on the subsidiary operating companies' preferred stocks have never been in arrears. Dividends have been declared and paid by the subsidiary operating companies on their common stocks in every year subsequent to the year in which each was incorporated (Dallas Power & Light Company on September 22, 1917; Texas Electric Service Company on December 19, 1929; and Texas Power & Light Company on May 27, 1912), except that such dividends were not declared or paid by Texas Power & Light Company in 1918, the last year of World War I.

CAPITALIZATION OF THE COMPANY

Upon organization of the Company in September 1945, authorized capital stock consisted of 1,000 shares of common stock, without par value, which initial authorization was increased to 2,001,000 shares in October 1945. In March 1947 the authorized shares were further increased to a total of 40,000,000 shares. There has been no subsequent change therein.

The changes in the number of shares of issued and outstanding capital stock of the Company since its organization, the consideration received therefor and the stated value thereof, were as follows:

<u>Date</u>	<u>Issued To and Consideration</u>	<u>Number of Shares</u>	<u>Stated Value</u>
September 1945	Incorporators and subsequently acquired by American Power & Light Company, for cash.....	1,000	\$ 25,000.00
October 1945	American Power & Light Company in exchange for all of the then outstanding common stocks of Texas Electric Service Company and Texas Power & Light Company and \$17,400,000.00 in cash.....	2,000,000	41,988,458.17(1)
March 1947	American Power & Light Company in exchange for 2,001,000 shares then outstanding, without change in aggregate stated value (see above).....	4,000,000	—
May 1948	Cash contribution to common stock equity by American Power & Light Company, sole stockholder, without issuance of any additional shares of common stock.....	—	9,237,520.00
July 1949	American Power & Light Company for cash.....	400,000	7,000,000.00
March 1950	Underwriters, for sale to the public, for cash.....	400,000	9,708,000.00
	Total.....	4,800,000	\$67,958,978.17(2)

(1) Pursuant to order of the Securities and Exchange Commission the value stated in the Company's accounts applicable to the aforementioned 2,000,000 shares was fixed at \$41,988,458.17, said sum being the aggregate of cash received and an amount equal to the value of the underlying securities of Texas Electric Service Company and Texas Power & Light Company on the books of the issuer as of the date of acquisition by the Company.

(2) Reference is made to note 8 to the Financial Statements included herein relating to change in stated value subsequent to March 1950.

In February 1950, pursuant to its plan of liquidation under the Public Utility Holding Company Act of 1935, American Power & Light Company surrendered all but 736 shares of the then outstanding capital stock of Texas Utilities Company to an "Exchange Agent" for distribution by such agent in exchange for certain outstanding securities of American Power & Light Company.

The Company has no information to indicate that as much as 10% of its stock is held by any single stockholder or group associated for such purpose.

CAPITALIZATION OF THE SUBSIDIARY OPERATING COMPANIES

Capital Stock:

The shares of each class of stock of the subsidiary operating companies outstanding at October 31, 1950 are shown in the table below. All the preferred stocks are held by the public. Except as otherwise noted, all the common stocks are held by the Company.

<u>Company</u>	<u>Title of Stock</u>	<u>Authorized Shares</u>	<u>Outstanding Shares</u>
Dallas Power & Light Company	4½% Preferred, Cumulative, \$100 par value	74,430	74,430
	Common, no par value	2,500,000	383,905(1)
Texas Electric Service Company	\$4.00 Preferred, Cumulative, no par value ..	110,000	110,000
	\$4.56 Preferred, Cumulative, no par value ..	65,000	65,000
	Common, no par value	4,000,000	4,000,000
Texas Power & Light Company	\$4.00 Preferred, Cumulative, no par value ..	70,000	70,000
	\$4.56 Preferred, Cumulative, no par value ..	133,786	133,786
	Common, no par value	4,600,000	4,600,000

(1) 32,073 shares are held by public.

Long-Term Debt:

The long-term debt of the subsidiary operating companies at October 31, 1950 follows:

FIRST MORTGAGE BONDS:

	<u>Principal Amount</u>
Dallas Power & Light Company:	
2⅞% Series, due April 1, 1979	\$ 10,000,000
2¾% Series, due June 1, 1980	24,500,000
Texas Electric Service Company:	
2¾% Series, due March 1, 1957	18,000,000
2⅞% Series, due October 1, 1977	7,000,000
3% Series, due April 1, 1978	5,000,000
2⅞% Series, due April 1, 1979	8,000,000
Texas Power & Light Company:	
2¾% Series, due May 1, 1975	31,500,000
3% Series, due October 1, 1977	8,000,000
3% Series, due April 1, 1978	2,000,000
Total first mortgage bonds	<u>\$114,000,000</u>

SINKING FUND DEBENTURES:

Dallas Power & Light Company:	
3½%, due April 1, 1973	4,000,000
Texas Electric Service Company:	
3¼%, due April 1, 1973	5,000,000
Texas Power & Light Company:	
3¼%, due April 1, 1973	7,000,000
Total debentures	<u>\$ 16,000,000</u>
TOTAL	<u><u>\$130,000,000</u></u>

OPTIONS, WARRANTS, CONVERSION RIGHTS

There are outstanding no options, warrants, conversion rights or other commitments pursuant to which the Company or any of its subsidiary operating companies may be required to issue any of their securities.

STOCK PROVISIONS AND VOTING RIGHTS

The Charter of the Company, as amended, authorizes the issuance of 40,000,000 shares of common stock, without par value.

Dividend Rights:

Common stockholders are entitled to dividends when and as declared by the Board of Directors. Each share of common stock is equal to every other share of common stock with respect to dividends.

Voting Rights:

Each holder of common stock is entitled to one vote for each share of common stock held on all questions submitted to stockholders and to cumulative voting at all elections of directors.

Preemptive Rights:

If the Company offers new or additional shares of common stock, or any security convertible into common stock, for money, other than by a public offering of all of such shares or an offering of all of such shares to or through underwriters or investment bankers who shall have agreed promptly to make a public offering of such shares, the same must first be offered pro rata to the holders of the then outstanding common stock of the Company upon terms not less favorable (without deduction of such reasonable compensation, allowance or discount for the sale, underwriting or purchase as may be fixed thereafter by the Board of Directors) than the terms upon which the same is sold to persons other than common stockholders.

Liquidation Rights:

Each share of common stock is equal to every other share of common stock with respect to distributions upon any dissolution or liquidation.

LITIGATION

There are no material pending legal proceedings to which the Company or any of the subsidiary operating companies is a party, or of which property of any of the companies is the subject, which depart from the ordinary routine litigation incident to the kind of business conducted by the companies, nor is any such proceeding known to be contemplated.

BUSINESS, FINANCIAL AND ACCOUNTING POLICIES

Leases:

Texas Electric Service Company leases from West Texas Utilities Company (a non-affiliate), under an agreement which may be terminated by either party on one year's notice, a 132,000 volt line extending from a point south of the town of Lem, Eastland County, Texas, across Callahan and Taylor Counties to a point approximately 16 miles east of Sweetwater, Texas, in the vicinity of Eskota, Texas. General offices of Texas Electric Service Company and Texas Power & Light Company and certain branch offices of the subsidiary operating companies are leased from non-affiliates.

Depreciation:

Pursuant to the franchise from the City of Dallas under which Dallas Power & Light Company operates and which became effective January 1, 1944, that company has provided for "Depreciation Reserve" at the rate of 3% per annum of the contemporaneous "Property Value". Said provisions were made as stipulated in the franchise which, with respect to depreciation reserve, reads in part "and the amounts therein are hereby found and determined to be at all times adequate and in all things reasonable and necessary for the purposes for which such reserve is authorized".

Texas Electric Service Company and Texas Power & Light Company have followed generally the retirement reserve method of providing for retirements of property. No regulatory authority has, in connection with the institution of depreciation accounting, made any determination as to the adequacy of the amounts of current provisions or of accumulated reserves of these companies.

The depreciation and property retirement reserve appropriations of the subsidiary operating companies do not purport to conform to depreciation allowable for income tax purposes or to be calculated on the basis of specific age-life formulae nor do the balances in the reserves purport to be those which would result from appropriations so allowed or calculated. However, based on present operating conditions and probable useful lives of depreciable properties, the subsidiary operating companies believe that such appropriations for the five-year period ended December 31, 1949, have been adequate on a straight-line, age-life basis and that such appropriations and the accumulated reserves at the latter date are adequate for the purpose of providing for the retirements of properties over their respective lives.

Amortization (other than depreciation):

Electric plant accounts of Texas Electric Service Company and Texas Power & Light Company were restated in 1945 on the basis of original cost pursuant to Rule U-27 and orders of the Securities and Exchange Commission based upon preliminary plant reclassification studies by the companies. Pursuant to such orders the companies disposed of all amounts classified in Account 107, electric plant adjustments, except \$852,683.65, against which reserves were provided by charges to earned surplus, the disposition of which was deferred pending review of the proper accounting treatment of the items comprising such amounts. Also in accordance with such orders, the companies classified \$6,591,368.17 in Account 100.5, electric plant acquisition adjustments, and have since been providing reserves in Account 252, reserve for amortization of electric plant acquisition adjustments, by annual charges to income of \$439,424.54.

Pursuant to orders of the Commission in 1949, based on the results of completed plant reclassification studies and review thereof by the Commission, Texas Electric Service Company and Texas Power & Light Company recorded final adjustments on their books in the restatement of their plant accounts. These adjustments included a net credit of \$48,740.15 to Account 107, electric plant adjustments, which was disposed of by crediting \$774,863.21 to capital surplus and charging \$726,123.06 to property retirement reserve, leaving \$852,683.65 in Account 107, against which reserves of like amount have been provided, as hereinbefore described. Such adjustments also included a credit of \$112,797.15 to Account 100.5, electric plant acquisition adjustments, thereby leaving \$6,478,571.02 in that account. The Commission's orders in 1949, relating to these companies, modified previous orders (which provided for the creation of reserves in Account 252) to the extent that the charges to income account of not less than \$439,424.54 per annum shall, in no event, be made for a period exceeding that necessary to accumulate the amount of \$6,476,959.20 in Account 252, without prejudice, however, to reservation by the companies of all rights with respect to such items.

Commitments:

It is not the policy of the Company or of its subsidiary operating companies to make future commodity commitments, other than those inherent in a regulated utility industry, i. e., only to the extent necessary to obtain materials and supplies, fuel or equipment to use in new construction or to carry on the public utility operations of the subsidiary operating companies. The construction programs of the subsidiary operating companies for the years 1950 and 1951 are estimated to result in expenditures of approximately \$40,000,000 and \$38,000,000, respectively, or a total of \$78,000,000, based on current prices. They may be increased or decreased before completion of construction programs because of changes in the availability of equipment, general economic conditions or other factors. The major items of construction consist of additions to generating capacity as to which orders are generally revocable, subject to reimbursement of manufacturers for expenditures incurred or other cancellation penalties. In the normal operation of the business of the Company and its subsidiary operating companies, it is not necessary to expand working capital through short-term loans (or otherwise) to any material extent.

Valuation of Inventories:

Inventories of the subsidiary operating companies do not represent a material portion of total assets and are carried at cost.

Method of Computing Cost of Goods Sold:

The subsidiary operating companies are public utilities and are engaged principally in the generation, distribution and sale of electric energy.

Marketable Securities:

Ordinarily marketable securities are not material in proportion to total assets of the Company and its subsidiary operating companies. As of October 31, 1950, the companies owned United States Government obligations with an aggregate book value of \$13,968,363.86, based upon cost plus amortized discount.

Consolidation:

The consolidated balance sheets of the Company and its subsidiary operating companies included in this application include the assets and liabilities of the Company and its subsidiary operating companies, all of which are majority-owned. It is the intention of the Company to continue that practice and to include in its statements all income and results of operations of the Company and all its majority-owned subsidiary operating companies. All companies included in the consolidation employ the same principles of accounting.

INDEX OF FINANCIAL STATEMENTS

Certificate of certified public accountants and of the Company's Treasurer

CONSOLIDATED STATEMENTS OF COMPANY AND SUBSIDIARIES:

Balance sheets: December 31, 1948 and 1949

Statement of income: Four months ended December 31, 1945, and twelve months ended December 31, 1946-1949, inclusive, and October 31, 1950

Summary of surplus: Four months ended December 31, 1945, and twelve months ended December 31, 1946-1949, inclusive

STATEMENTS OF COMPANY ONLY:

Balance sheets: December 31, 1948 and 1949

Statement of income: Four months ended December 31, 1945, and twelve months ended December 31, 1946-1949, inclusive, and October 31, 1950

Summary of earned surplus: Four months ended December 31, 1945, and twelve months ended December 31, 1946-1949, inclusive

CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Texas Utilities Company:

We have examined the balance sheets of Texas Utilities Company, and the consolidated balance sheets of Texas Utilities Company and its subsidiary companies, as of December 31, 1948 and 1949, and the related statements of income and surplus for the four years and four months ended December 31, 1949. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income and surplus present fairly the financial position of the companies at December 31, 1948 and 1949 and the results of their operations for the four years and four months ended December 31, 1949, in conformity with generally accepted accounting principles applied on a consistent basis.

Dallas, Texas,
December 20, 1950,
as of February 9, 1950.

HASKINS & SELLS.

CERTIFICATE OF THE COMPANY'S TREASURER

December 20, 1950

I hereby certify that the financial statements consisting of:

1. Statement of Consolidated Income of Texas Utilities Company and Subsidiaries for the Twelve Months Ended October 31, 1950
2. Statement of Income of Texas Utilities Company for the Twelve Months Ended October 31, 1950

were prepared under my direction and are, to the best of my knowledge and belief, true and correct statements as shown by the books of the Company and Subsidiaries.

B. B. SANDERS
Treasurer

TEXAS UTILITIES COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31,	
	1948	1949
A S S E T S		
PLANT, PROPERTY, AND EQUIPMENT (including intangibles)—(see Note 2).....	\$214,471,523.72	\$253,815,915.09
Add net adjustments arising from the elimination of intercompany-held securities.....	11,129,464.83	11,129,464.83
Total	\$225,600,988.55	\$264,945,379.92
MISCELLANEOUS INVESTMENTS	\$ 36,388.98	\$ 64,795.12
CURRENT AND ACCRUED ASSETS:		
Cash in banks	\$ 8,734,615.50	\$ 7,896,303.59
Special deposits	48,705.25	41,180.83
Working funds	165,527.21	193,431.01
U. S. Government securities, etc. (cost plus amortized discount)	4,000,271.71	999,650.55
Accounts receivable—Customers and miscellaneous	3,100,748.48	3,796,870.03
Materials and supplies	5,286,787.93	4,970,757.72
Prepayments	165,491.05	160,244.70
Other current and accrued assets	156,060.37	50,985.01
Total current and accrued assets	\$ 21,658,207.50	\$ 18,109,423.44
DEFERRED DEBITS:		
Unamortized debt discount and expense	\$ 1,111,374.48	\$ 1,035,371.50
Other	323,246.98	282,040.40
Total deferred debits	\$ 1,434,621.46	\$ 1,317,411.90
CAPITAL STOCK DISCOUNT AND EXPENSE:		
Discount	\$ 313,663.00	\$ 313,663.00
Expense	567,185.10	567,185.10
Total capital stock discount and expense	\$ 880,848.10	\$ 880,848.10
REACQUIRED CAPITAL STOCK, 2,807 SHARES PREFERRED STOCKS—Subsidiaries	\$ 279,312.97	\$ 279,312.97
CONSIGNMENTS (contra)	\$ 42,920.48	\$ 48,383.03
TOTAL	\$249,933,288.04	\$285,645,554.48
L I A B I L I T I E S		
CAPITAL STOCK:		
Texas Utilities Company—Common, no par; authorized, 40,000,000 shares; outstanding December 31, 1948, 4,000,000 shares, and December 31, 1949, 4,400,000 shares	\$ 51,250,978.17	\$ 58,250,978.17
Subsidiaries:		
Preferred stocks (see accompanying schedule) 273,216 shares (entitled upon liquidation to \$100 a share)	27,386,976.00	27,386,976.00
Common stock	870,723.49	870,723.49
Total capital stock	\$ 79,508,677.66	\$ 86,508,677.66
LONG-TERM DEBT (see accompanying schedule):		
Mortgage bonds	\$ 87,500,000.00	\$105,500,000.00
Debentures	16,000,000.00	16,000,000.00
Total long-term debt	\$103,500,000.00	\$121,500,000.00
CURRENT AND ACCRUED LIABILITIES:		
Accounts payable:		
Associate companies	\$ 218,636.59	\$ 271,161.51
Other	1,433,582.48	2,506,982.50
Dividends declared	310,182.00	310,182.00
Matured long-term debt and interest (cash in special deposits)	48,705.25	40,755.83
Customers' deposits	2,715,773.87	2,906,449.69
Taxes accrued	9,060,876.23	9,558,654.20
Interest accrued	1,323,725.02	1,498,670.98
Other current and accrued liabilities	100,612.60	92,422.92
Total current and accrued liabilities	\$ 15,212,094.04	\$ 17,185,279.63
DEFERRED CREDITS:		
Customers' advances for construction	\$ 80,209.34	\$ 74,617.27
Other	94,905.45	48,984.00
Total deferred credits	\$ 175,114.79	\$ 123,601.27
RESERVES:		
Depreciation and property retirement (see Note 3)	\$ 31,815,465.10	\$ 33,757,120.32
Electric plant adjustments	852,701.82	852,683.65
Amortization of electric plant acquisition adjustments	1,593,753.02	2,033,177.56
Uncollectible accounts	150,319.80	156,956.19
Inventory adjustments	132,843.20	134,583.37
Injuries and damages	397,367.69	436,606.40
Other	104,854.76	121,994.49
Total reserves	\$ 35,047,305.39	\$ 37,493,121.98
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ 451,696.81	\$ 569,200.52
CONSIGNMENTS (contra)	\$ 42,920.48	\$ 48,383.03
SURPLUS RESERVE (see Note 4)	\$ 4,099,063.89	\$ 4,362,963.40
MINORITY INTEREST IN SURPLUS OF SUBSIDIARY	\$ 215,855.53	\$ 303,290.94
SURPLUS:		
Capital (see Note 8)	\$ 100,359.45	\$ 1,218,335.35
Earned (see Note 5)	11,580,200.00	16,332,700.70
Total surplus	\$ 11,680,559.45	\$ 17,551,036.05
TOTAL	\$249,933,288.04	\$285,645,554.48

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	Four Months Ended December 31, 1945(a)	Twelve Months Ended December 31,				Twelve Months Ended October 31, 1950 (Not examined by independent certified public accountants)
SUBSIDIARIES		1946	1947	1948	1949	
Operating revenues	\$12,813,618	\$41,878,211	\$47,293,107	\$54,194,418	\$60,155,466	\$65,798,163
Operating revenue deductions:						
Operating expenses:						
Operation	\$ 4,501,753	\$15,061,448	\$18,049,829	\$20,266,645	\$21,018,596	\$21,354,677
Maintenance	720,776	2,566,946	3,322,513	4,457,315	5,932,456	5,232,291
Taxes:						
Federal income	887,586	5,042,163	5,327,174	5,835,799	6,100,590	8,033,920
Other Federal	250,285	993,885	1,159,821	1,336,623	1,497,169	1,686,985
Other	944,693	2,983,135	3,477,747	3,842,022	4,736,175	5,364,881
Depreciation and property retirement reserve appropriations (see Note 3)	1,026,851(b)	3,197,650	3,369,423	3,992,273	4,853,450	5,655,700
Total operating revenue deductions	\$ 8,331,944	\$29,845,227	\$34,706,507	\$39,730,677	\$44,138,436	\$47,328,454
Net operating revenues	\$ 4,481,674	\$12,032,984	\$12,586,600	\$14,463,741	\$16,017,030	\$18,469,709
Other income—net	30,979	50,960	30,262	110,940	83,323	96,920
Gross income	\$ 4,512,653	\$12,083,944	\$12,616,862	\$14,574,681	\$16,100,353	\$18,566,629
Interest on mortgage bonds	\$ 593,750	\$ 1,921,250	\$ 2,015,434	\$ 2,515,333	\$ 2,936,984	\$ 3,131,076
Interest on debentures	—	—	—	368,903	515,000	515,000
Amortization of debt discount and expense (net)	693,368(c)	81,362	83,384	84,383	95,181	113,130
Amortization of electric plant acquisition adjustments ..	146,475	439,424	439,424	439,424	439,424	439,425
Other interest and deductions	136,307	397,744	425,506	371,701	393,087	401,098
Total	\$ 1,569,900	\$ 2,839,780	\$ 2,963,748	\$ 3,779,744	\$ 4,379,676	\$ 4,599,729
Less interest charged to construction	7,251	34,909	190,861	377,222	421,694	404,828
Net interest and other deductions	\$ 1,562,649	\$ 2,804,871	\$ 2,772,887	\$ 3,402,522	\$ 3,957,982	\$ 4,194,901
Net income of subsidiaries (after eliminating transactions with parent company) ..	\$ 2,950,004	\$ 9,279,073	\$ 9,843,975	\$11,172,159	\$12,142,371	\$14,371,728
Transfer to surplus reserve (see Note 4)	85,696*	599,733	812,010	612,019	301,136	242,012
Balance	\$ 3,035,700	\$ 8,679,340	\$ 9,031,965	\$10,560,140	\$11,841,235	\$14,129,716
Preferred dividends to public—full dividend requirements applicable	497,185	1,575,663	1,575,663	1,575,663	1,575,663	1,768,531
Balance	\$ 2,538,515	\$ 7,103,677	\$ 7,456,302	\$ 8,984,477	\$10,265,572	\$12,361,185
Portion applicable to minority interest	28,502	118,349	123,233	145,756	181,382	212,259
Net equity of Texas Utilities Company in income of subsidiaries	\$ 2,510,013	\$ 6,985,328	\$ 7,333,069	\$ 8,838,721	\$10,084,190	\$12,148,926
TEXAS UTILITIES COMPANY						
Net equity of Texas Utilities Company in income of subsidiaries (as shown above)	\$ 2,510,013	\$ 6,985,328	\$ 7,333,069	\$ 8,838,721	\$10,084,190	\$12,148,926
Other income	—	—	—	11,827	—	36,317
Total	\$ 2,510,013	\$ 6,985,328	\$ 7,333,069	\$ 8,850,548	\$10,084,190	\$12,185,243
Expenses:						
Expenses other than taxes	\$ 10,579	\$ 16,575	\$ 29,646	\$ 51,676	\$ 69,301	\$ 160,369
Taxes—other than taxes on income	2,545	28,289	42,541	43,166	50,496	62,304
Total expenses	\$ 13,124	\$ 44,864	\$ 72,187	\$ 94,842	\$ 119,797	\$ 222,673
Balance	\$ 2,496,889	\$ 6,940,464	\$ 7,260,882	\$ 8,755,706	\$ 9,964,393	\$11,962,570
Interest on notes payable	—	—	29,506	36,690	12,299	4,333
Balance	\$ 2,496,889	\$ 6,940,464	\$ 7,231,376	\$ 8,719,016	\$ 9,952,094	\$11,958,237
Provision for Federal taxes on income	21,376	253,772	270,112	324,715	359,593	415,916
Balance carried to consolidated earned surplus	\$ 2,475,513	\$ 6,686,692	\$ 6,961,264	\$ 8,394,301	\$ 9,592,501	\$11,542,321

* Credit.

(a) Including earnings of Dallas Power & Light Company from October 1, 1945.

(b) The above statement of income for the four months ended December 31, 1945 has been adjusted to include therein additional appropriations of \$228,900 for property retirement reserve provided by charge to earned surplus in 1946.

(c) During May 1945 bond refinancings by Texas Electric Service Company and Texas Power & Light Company and, during December 1945, retirement of debenture bonds of American Power & Light Company (former parent) with which the two companies joined in consolidated income and excess profits tax returns, gave rise to substantial non-recurring deductions for tax purposes. The resultant provisions for Federal taxes on income charged to the four months ended December 31, 1945 and special charges representing acceleration of debt discount and expense designed to offset related non-recurring tax benefit have not been allocated to the four-month period on a consistent basis. If the non-recurring effect of the foregoing were eliminated the consolidated net income for the four months ended December 31, 1945, set forth in the above statement, would have been approximately \$650,000 less.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

SUMMARY OF CONSOLIDATED SURPLUS

EARNED SURPLUS

	Four Months Ended December 31, 1945	Twelve Months Ended December 31,			
		1946	1947	1948	1949
BALANCE AT BEGINNING OF PERIOD	\$ —	\$1,903,425	\$ 4,590,117	\$ 7,551,381	\$11,580,200
ADD:					
Balance from statement of Consolidated Income	2,475,513	6,686,692	6,961,264	8,394,301	9,592,501
Profit from sale of real estates by subsidiary	—	—	—	34,518	—
Total	<u>\$2,475,513</u>	<u>\$8,590,117</u>	<u>\$11,551,381</u>	<u>\$15,980,200</u>	<u>\$21,172,701</u>
DEDUCT:					
Preferred dividends declared by subsidiary applicable to subsequent period	\$ 72,088	\$ —	\$ —	\$ —	\$ —
Common dividends declared by Texas Utilities Company	500,000	4,000,000	4,000,000	4,400,000	4,840,000
Total dividend deductions	<u>\$ 572,088</u>	<u>\$4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,400,000</u>	<u>\$ 4,840,000</u>
BALANCE AT END OF PERIOD	<u>\$1,903,425</u>	<u>\$4,590,117</u>	<u>\$ 7,551,381</u>	<u>\$11,580,200</u>	<u>\$16,332,701</u>

CAPITAL SURPLUS

BALANCE AT BEGINNING OF PERIOD	\$ —	\$ —	\$ 100,359	\$ 100,359	\$ 100,359
ADD:					
Contribution of property to subsidiary by a subsidiary of American Power & Light Company—Former parent	—	100,359	—	—	—
Adjustment of over provisions by subsidiary for Federal taxes on income for prior years	—	—	—	—	204,148
Amount received by subsidiary in compromise, settlement and discharge of claims involving affiliated companies, less portion applicable to minority interest.....	—	—	—	—	138,965
Adjustments arising out of reclassification of plant by subsidiaries—net (see Note 1)	—	—	—	—	774,863
BALANCE AT END OF PERIOD	<u>\$ —</u>	<u>\$ 100,359</u>	<u>\$ 100,359</u>	<u>\$ 100,359</u>	<u>\$ 1,218,335</u>

TEXAS UTILITIES COMPANY

BALANCE SHEET

ASSETS

	December 31,	
	1948	1949
INVESTMENT SECURITIES—Subsidiaries (see Notes 1 and 8).....	\$51,239,876.41	\$59,014,739.62
MISCELLANEOUS INVESTMENTS	\$ 3,973.98	\$ 7,185.88
CURRENT ASSETS:		
Cash in banks	\$ 2,183,864.38	\$ 327,941.81
Special cash deposits	—	425.00
Notes receivable—Subsidiary companies:		
Texas Electric Service Company	500,000.00	2,300,000.00
Texas Power & Light Company	—	1,500,000.00
Total current assets	<u>\$ 2,683,864.38</u>	<u>\$ 4,128,366.81</u>
DEFERRED DEBITS—Prepayments	\$ 14,377.00	\$ 17,866.00
Total	<u>\$53,942,091.77</u>	<u>\$63,168,158.31</u>

LIABILITIES

CAPITAL STOCK (no par value):		
Common; authorized, 40,000,000 shares; outstanding December 31, 1948, 4,000,000 shares, and December 31, 1949, 4,400,000 shares	\$51,250,978.17	\$58,250,978.17
CURRENT LIABILITIES—Taxes accrued	\$ 344,959.41	\$ 382,160.93
SURPLUS:		
Capital surplus (see Notes 1 and 8)	\$ —	\$ 774,863.21
Earned surplus	2,346,154.19	3,760,156.00
Total surplus	<u>\$ 2,346,154.19</u>	<u>\$ 4,535,019.21</u>
Total	<u>\$53,942,091.77</u>	<u>\$63,168,158.31</u>

The accompanying Notes to Financial Statements should be considered in conjunction with the above statements.

TEXAS UTILITIES COMPANY
STATEMENT OF INCOME AND SUMMARY OF EARNED SURPLUS

	INCOME					Twelve Months Ended October 31, 1950
	Four Months Ended December 31, 1945	Twelve Months Ended December 31,				(Not examined by independent certified public accountants)
		1946	1947	1948	1949	
GROSS INCOME:						
Dividends on common stocks of subsidiaries:						
Dallas Power & Light Company.....	\$149,501.40	\$ 897,008.40	\$ 897,008.40	\$1,065,196.80	\$1,121,259.60	\$1,435,511.10
Texas Electric Service Company	300,000.00	1,600,000.00	2,100,000.00	2,600,000.00	2,800,000.00	2,900,000.00
Texas Power & Light Company	250,000.00	2,000,000.00	2,100,000.00	2,400,000.00	2,800,000.00	3,025,000.00
Total dividends	\$699,501.40	\$4,497,008.40	\$5,097,008.40	\$6,065,196.80	\$6,721,259.60	\$7,360,511.10
Interest on loans to subsidiaries	—	—	28,781.50	8,020.17	25,944.35	42,888.91
Total income from subsidiaries ..	\$699,501.40	\$4,497,008.40	\$5,125,789.90	\$6,073,216.97	\$6,747,203.95	\$7,403,400.01
Other income	—	—	—	11,827.43	—	36,317.55
Total income	\$699,501.40	\$4,497,008.40	\$5,125,789.90	\$6,085,044.40	\$6,747,203.95	\$7,439,717.56
EXPENSES:						
Expenses other than taxes	\$ 10,578.84	\$ 16,575.14	\$ 29,645.62	\$ 51,675.90	\$ 70,812.98	\$ 164,906.59
Taxes—other than taxes on income	2,545.65	28,288.78	42,541.68	43,166.37	50,496.47	62,303.65
Total expenses	\$ 13,124.49	\$ 44,863.92	\$ 72,187.30	\$ 94,842.27	\$ 121,309.45	\$ 227,210.24
BALANCE	\$686,376.91	\$4,452,144.48	\$5,053,602.60	\$5,990,202.13	\$6,625,894.50	\$7,212,507.32
INTEREST ON NOTES PAYABLE	—	—	29,505.88	36,690.24	12,299.69	4,333.35
BALANCE	\$686,376.91	\$4,452,144.48	\$5,024,096.72	\$5,953,511.89	\$6,613,594.81	\$7,208,173.97
PROVISION FOR FEDERAL TAXES ON INCOME	21,376.00	253,772.23	270,112.58	324,715.00	359,593.00	415,915.26
NET INCOME	\$665,000.91	\$4,198,372.25	\$4,753,984.14	\$5,628,796.89	\$6,254,001.81	\$6,792,258.71

SUMMARY OF EARNED SURPLUS

BALANCE BEGINNING OF PERIOD	\$ —	\$ 165,000.91	\$ 363,373.16	\$1,117,357.30	\$2,346,154.19
ADD—Net income for period	665,000.91	4,198,372.25	4,753,984.14	5,628,796.89	6,254,001.81
Total	\$665,000.91	\$4,363,373.16	\$5,117,357.30	\$6,746,154.19	\$8,600,156.00
DEDUCT—Dividends on common stock	500,000.00	4,000,000.00	4,000,000.00	4,400,000.00	4,840,000.00
BALANCE END OF PERIOD	\$165,000.91	\$ 363,373.16	\$1,117,357.30	\$2,346,154.19	\$3,760,156.00

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Investment securities—subsidiaries are stated on the basis of underlying book equities as of August 31, 1945 in the case of securities acquired for capital stock issued upon organization of the Company, pursuant to an order of the Securities and Exchange Commission dated October 24, 1945, and at cash cost. In further accordance with that order, the book value of the Company's investment in securities of Texas Electric Service Company and Texas Power & Light Company was increased as of March 31, 1949 by \$774,863.21, with a credit of like amount to capital surplus, to reflect changes in the underlying book equities upon completion of review by the Securities and Exchange Commission of those companies' plant reclassification studies.

For changes subsequent to December 31, 1949, in the carrying value of the Company's investments in subsidiaries, see Note 8 below.

2. Plant, property, and equipment of Dallas Power & Light Company are stated on the basis of that company's valuation thereof at acquisition where acquired by issuance of stocks and other securities or on the basis of cost where acquired for cash or constructed, less retirements which, in accordance with the franchise from the City of Dallas, are deducted at replacement cost in the case of those retirements which are replaced and at actual or estimated cost in the case of those retirements which are not replaced. Under regulation now in effect that company is not required to reclassify plant, property, and equipment on an original cost basis. The ledger value of plant, property, and equipment does not purport to represent present realizable values or replacement cost or "Property Value" as defined in the franchise from the City of Dallas. Under this franchise the City has the right after December 29, 1953, or at any time that the Federal Government or any agency thereof or the State Government or any agency thereof, other than the City of Dallas or any other municipality, exercise any lawful right to purchase or acquire the properties and franchises of that company, to purchase, on at least six months' notice, all and not less than all (except as in the franchise otherwise provided) of the property of that company in Dallas County included in the "Property Value" as determined under the provisions of the franchise.

Electric plant accounts of Texas Electric Service Company and Texas Power & Light Company were restated in 1945 on the basis of original cost pursuant to Rule U-27 and orders of the Securities and Exchange Commission based upon preliminary plant reclassification studies by those companies. Pursuant to such orders those companies disposed of all amounts classified in Account 107, electric plant adjustments, except \$852,683.65, against which reserves were provided by charges to earned surplus, the disposition of which was deferred pending review of the proper accounting treatment of the items comprising such amounts. Also in accordance with such orders, those companies classified \$6,591,368.17, in Account 100.5, electric plant acquisition adjustments, and have since been providing reserves in Account 252, reserve for amortization of electric plant acquisition adjustments, by annual charges to income of \$439,424.54.

Pursuant to orders of the Commission in 1949, based on the results of completed plant reclassification studies and review thereof by the Commission, Texas Electric Service Company and Texas Power & Light Company recorded final adjustments on their books in the restatement of their plant accounts. These adjustments included a net credit of \$48,740.15 to Account 107, electric plant adjustments, which was disposed of by crediting \$774,863.21 to capital surplus and charging \$726,123.06 to property retirement reserve, leaving \$852,683.65 in Account 107, against which reserves of like amount have been provided, as hereinbefore described. Such adjustments also included a credit of \$112,797.15 to Account 100.5, electric plant acquisition adjustments, thereby leaving \$6,478,571.02 in that account. The Commission's orders in 1949, relating to those companies, modified previous orders, which provided for the creation of reserves in Account 252, to the extent that the charges to income of not less than \$439,424.54 per annum shall, in no event, be made for a period exceeding that necessary to accumulate the amount of \$6,476,959.20 in Account 252, without prejudice, however, to reservation by those companies of all rights with respect to such items.

3. Pursuant to the franchise from the City of Dallas, mentioned in Note 2, under which Dallas Power & Light Company operates and which became effective January 1, 1944, that company has provided for "Depreciation Reserve" at the rate of 3% per annum of the contemporaneous "Property Value". Said provisions were made as stipulated in the franchise which, with respect to depreciation reserve, reads in part "and the amounts therein are hereby found and determined to be at all times adequate and in all things reasonable and necessary for the purposes for which such reserve is authorized".

Texas Electric Service Company and Texas Power & Light Company have followed generally the retirement reserve method of providing for retirements of property. No regulatory authority has, in connection with the institution of depreciation accounting, made any determination as to the adequacy of the amounts of current provisions or of accumulated reserves of those companies.

The depreciation and property retirement reserve appropriations of the subsidiaries do not purport to conform to depreciation allowable for income tax purposes or to be calculated on the basis of specific age-life formulae nor do the balances in the reserves purport to be those which would result from depreciation so allowed or calculated. However, based on present operating conditions and probable useful lives of depreciable properties, the subsidiaries believe that such appropriations for the five-year period ended December 31, 1949 have been adequate on a straight-line, age-life basis and that such appropriations and the accumulated reserves at December 31, 1949 are adequate for the purpose of providing for the retirements of properties over their respective lives.

4. The surplus reserve, applicable to Dallas Power & Light Company, is provided for in that company's franchise from the City of Dallas and is created and maintained out of net earnings ("Gross Receipts" after deducting therefrom operating expenses, taxes, and appropriations to "Depreciation Reserve") after paying therefrom the authorized return. Surplus reserve is stated in the franchise to be "available for and may be used as an equalizing fund to promote the orderly and economical operation and development of the Grantee's business and to provide for any unexpected or unusual contingencies or reverses therein". Net earnings for the three-month period ended December 31, 1945 were less than, and subsequent to December 31, 1945 were more than the authorized return and in accordance with applicable franchise provisions transfers were made from and to surplus reserve, for the respective periods, as shown by the Statement of Consolidated Income.

5. The corporate charters, the mortgages, as supplemented, and debenture agreements of the subsidiaries, contain provisions which, under certain conditions, restrict distributions on or acquisitions of their common stocks. At December 31, 1949, \$1,206,927.26 of the earned surplus

TEXAS UTILITIES COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Concluded)

of Dallas Power & Light Company (of which \$105,354.01 was applicable to minority interest therein) and \$1,865,746.54 of the earned surplus of Texas Electric Service Company, was thus restricted as a result of the provisions of the mortgages, no amounts being otherwise restricted at that date. At December 31, 1949 none of the earned surplus of Texas Utilities Company was restricted; and by reason of elimination in consolidation of earned surplus of subsidiaries at acquisition and minority interest therein aggregating \$1,299,393.14, the restriction against consolidated earned surplus of Texas Utilities Company and subsidiaries at December 31, 1949 was \$1,773,280.66. The amount of the earned surplus restriction thus existing at December 31, 1949 was eliminated by additional investments in common stocks of the subsidiaries subsequent to the latter date. The provisions of new preferred stocks issued and sold in 1950 (see Note 7 below) and related charter changes, by Texas Electric Service Company and Texas Power & Light Company, however, require, in effect, that these companies shall not pay any common dividend which would reduce the balance of earned surplus to less than one and one-half times the full annual dividend requirements on such new preferred stocks.

6. Provisions for Federal taxes on income cover maximum indicated requirements and are subject to adjustment when the liabilities for such taxes are finally determined by the Treasury Department, but do not include any provisions for excess profits taxes which may be made applicable to the year 1950.

7. Subsequent to December 31, 1949 but prior to October 31, 1950 the Company and its subsidiaries consummated the following financing (exclusive of short-term) transactions:

Texas Utilities Company issued and sold 400,000 shares of its common stock, without par value, for a consideration to the Company of \$9,708,000.

Dallas Power & Light Company issued and sold \$24,500,000 principal amount of First Mortgage Bonds, 2¾% Series, due June 1, 1980, for a consideration of \$24,703,347.55, and called for redemption at 104½ the \$16,000,000 principal amount of First Mortgage Bonds, 3½% Series, due February 1, 1967. That company also issued and sold 42,656 shares of additional common stock for a consideration of \$3,412,480. Texas Utilities Company exercised its subscription rights with respect to such new shares, and in addition took up and paid for all the new common stock not taken up and paid for under subscription rights not exercised by minority interests, which resulted in the acquisition by Texas Utilities Company of approximately 92% of the additional shares.

Texas Electric Service Company issued and sold 110,000 shares of \$4 preferred stock, without par value, for a net consideration of \$10,862,500. Concurrently, it also issued 65,000 shares of \$4.56 preferred stock, without par value, in connection with an offer to exchange such new shares for 65,000 shares of its \$6 preferred stock (including 2,387 shares theretofore reacquired) then outstanding. All shares of old preferred stock not exchanged for the new \$4.56 preferred, pursuant to the exchange offer, were called for redemption at a price of \$110 per share. Also, it sold to Texas Utilities Company 2,000,000 shares of its common stock, without par value, for a cash consideration of \$2,000,000. Texas Utilities Company thereafter surrendered for cancellation 1,705,000 shares of common stock of Texas Electric Service Company without any change being made in the stated value of the common stock of that company because of such cancellation.

Texas Power & Light Company issued and sold 70,000 shares of \$4 preferred stock, without par value, for a net consideration of \$6,912,500. Concurrently, it also issued 133,786 shares of \$4.56 preferred stock, without par value, in connection with an offer to exchange such new shares (plus \$5.00 in cash for the 7% preferred) for 65,000 shares of its 7% preferred (including 146 shares theretofore reacquired) and 68,786 shares of \$6 preferred stock (including 274 shares theretofore reacquired) then outstanding. All shares of old preferred stock not exchanged for the new \$4.56 preferred, pursuant to the exchange offer, were called for redemption at a price of \$115 per share for the 7% preferred and \$110 per share for the \$6 preferred. Also, it sold to Texas Utilities Company 2,000,000 shares of its common stock, without par value, for a cash consideration of \$1,500,000. Texas Utilities Company thereafter surrendered for cancellation 2,500,000 shares of common stock of Texas Power & Light Company without any change being made in the stated value of the common stock of that company because of such cancellation.

8. Subsequent to December 31, 1949 but prior to November 30, 1950 the following capital adjustments were made:

Dallas Power & Light Company increased the stated value of its outstanding common stock, without par value, by \$3,504,400 through transfer from corporate earned surplus and capital surplus of \$3,352,145 and \$152,255, respectively.

Texas Electric Service Company and Texas Power & Light Company increased the stated value of their outstanding common stock, without par value, by \$906,691.41 and \$539,413.54, respectively, through transfers from capital surplus of like amounts.

Texas Utilities Company increased the carrying value of its investments in Texas Electric Service Company and Texas Power & Light Company by \$457,648.85 to give effect to increase in the stated value of the common stocks, by transfers of capital surplus, of its subsidiaries, Texas Electric Service Company and Texas Power & Light Company, not theretofore reflected in its investment account, with a corresponding credit to capital surplus. Concurrently, the stated value of the Company's common stock, without par value, was increased by \$1,232,512.06 through transfer of the capital surplus balance of like amount.

9. The premium of \$720,000 paid in the redemption by call of the \$16,000,000 principal amount of First Mortgage Bonds, 3½% Series due 1967, by Dallas Power & Light Company together with interest for the period of redemption notice, \$46,667, and expenses incurred in such redemption, will be amortized over what would have been the remaining life of those bonds had they remained outstanding to the date of maturity in 1967. The call premium and other costs in connection with the redemption of such bonds become non-recurring deductions for income tax purposes for the year 1950 with the result that, for that year, provisions for Federal income taxes will be less and net income greater by approximately \$324,000 than would have been the result otherwise. The balance, for the period, to be transferred to corporate earned surplus (after transfer to or from surplus reserve, pursuant to provisions of the franchise as explained in Note 4), will not be affected. The premium received from the sale of the 1980 Series Bonds, less applicable expenses, will be amortized over the life of such issue.

SUBSIDIARIES OF TEXAS UTILITIES COMPANY

SECURITIES HELD BY PUBLIC, DECEMBER 31, 1949

	Principal Amount
FIRST MORTGAGE BONDS:	
Dallas Power & Light Company:	
3½% Series, due February 1, 1967.....	\$ 16,000,000.00
2¾% Series, due April 1, 1979	10,000,000.00
Texas Electric Service Company:	
2¾% Series, due March 1, 1975.....	18,000,000.00
2¾% Series, due October 1, 1977.....	7,000,000.00
3% Series, due April 1, 1978.....	5,000,000.00
2¾% Series, due April 1, 1979.....	8,000,000.00
Texas Power & Light Company:	
2¾% Series, due May 1, 1975.....	31,500,000.00
3% Series, due October 1, 1977.....	8,000,000.00
3% Series, due April 1, 1978.....	2,000,000.00
Total first mortgage bonds	<u>\$105,500,000.00</u>
SINKING FUND DEBENTURES:	
Dallas Power & Light Company:	
3½%, due April 1, 1973.....	\$ 4,000,000.00
Texas Electric Service Company:	
3¾%, due April 1, 1973.....	5,000,000.00
Texas Power & Light Company:	
3¾%, due April 1, 1973.....	7,000,000.00
Total debentures	<u>\$ 16,000,000.00</u>
TOTAL	<u><u>\$121,500,000.00</u></u>

	Number of Shares		
	Outstanding	Reacquired	Held by Public
PREFERRED STOCKS:			
Dallas Power & Light Company: 4½%, \$100 Par.....	74,430	—	74,430
Texas Electric Service Company: \$6, No Par.....	65,000	2,387	62,613
Texas Power & Light Company: 7%, \$100 Par.....	65,000	146	64,854
Texas Power & Light Company: \$6, No Par.....	68,786	274	68,512
TOTAL	<u>273,216</u>	<u>2,807</u>	<u>270,409</u>

	Number of Shares Held by Public
COMMON STOCK:	
Dallas Power & Light Company: No Par.....	<u>29,788</u>

AGREEMENTS

In consideration of the premises, the undersigned hereby agrees with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with, or earlier than, the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, a transfer office or agency, in Dallas, Texas and/or New York, New York, where all listed securities shall be directly transferable and dividends thereon shall be payable; also to maintain, in Fort Worth, Texas, and/or New York, New York, a registry office, not identical with the transfer office, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the said transfer agent(s) to act, the Company will immediately take the necessary steps to secure a new transfer agency in Dallas, Texas, or New York, New York, as the case may be. In the event the said transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration as aforesaid, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in Dallas, Texas and/or New York, New York.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.
- (19) The Exchange agrees, after the lapse of one year from the date on which this application shall have been accepted and upon written request of the Company, promptly to take steps to remove from the list the securities of the Company and, in connection therewith, to take steps to secure any approvals required with regulatory authorities having jurisdiction.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

The Company's fiscal year is the calendar year.

The Company has offices at 1506 Commerce Street, Dallas, Texas, and at 410 West Seventh Street, Fort Worth, Texas. For the purpose of this application, the principal business address of the Company shall be the address first named above.

Annual meetings of the stockholders will be held at the office of the Company in Fort Worth, Texas, or in Dallas, Texas, on the third Friday in May of each year (unless such date is a legal holiday, in which case such meeting will be held on the next business day) at ten o'clock in the forenoon, or at such other designated place or hour

as may be stated in the notice of the meeting. Unless otherwise provided by statute or by the Charter of the Company, the holders of a majority of the aggregate number of shares of the outstanding stock of the Company, entitled to vote upon any matter to be acted upon, present in person or by proxy, shall constitute a quorum for the transaction of business.

TRANSFER AGENTS:

Guaranty Trust Company of New York,
140 Broadway, New York 15, New York.

Mercantile National Bank at Dallas,
Dallas, Texas.

REGISTRARS:

Registrar and Transfer Company of New York,
50 Church Street, New York 7, New York.

The First National Bank of Fort Worth,
Fort Worth, Texas.

TEXAS UTILITIES COMPANY

By RICHARD BULLWINKLE,
Secretary.

KAISER ALUMINUM & CHEMICAL CORPORATION

Capital Stock
(Par Value \$1 per share)

Prepared by the Corporation

for

Midwest Stock Exchange

THE LIBRARY OF THE
MAY 16 1951
UNIVERSITY OF ILLINOIS

This application was approved by the
Executive Committee of Midwest Stock
Exchange on April 12, 1951.

THIS CIRCULAR WAS PREPARED BY THE CORPORATION FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE CORPORATION SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS HEREIN CONTAINED.

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THE UNIVERSITY OF CHICAGO

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KAISER ALUMINUM & CHEMICAL CORPORATION

3,120,000 Shares
CAPITAL STOCK
(Par Value \$1 per share)

Oakland, California,
April 11, 1951

KAISER ALUMINUM & CHEMICAL CORPORATION, a corporation organized under the laws of the State of Delaware (hereinafter sometimes referred to as the "Corporation"), hereby makes application for listing on the Midwest Stock Exchange of

3,120,000 shares of its Capital Stock, of the par value of \$1 per share, all of which shares are issued and outstanding.

OPINION OF COUNSEL

The opinion of Thelen, Marrin, Johnson & Bridges, 111 Sutter Street, San Francisco, California, counsel for the Corporation, has been filed with the Midwest Stock Exchange. This opinion is to the effect that the Corporation was duly incorporated under the laws of the State of Delaware, that the 3,120,000 shares of Capital Stock, to which this listing application relates, have been duly authorized and validly issued and are fully paid and non-assessable, and that under the laws of the State of Delaware (the state of incorporation) and the State of California (wherein the Corporation maintains its principal place of business) no personal liability attaches to the holders of shares of the Capital Stock of the Corporation by reason of their being such holders. Mr. Paul S. Marrin, a partner of said counsel for the Corporation, is a director of the Corporation.

STATUS UNDER FEDERAL ACTS

By a registration statement filed with the Securities and Exchange Commission (registration No. 2-7565) which became effective June 29, 1948, 600,000 shares of the Capital Stock of the Corporation were registered under the Securities Act of 1933. None of the balance of the shares to which this application relates have been registered under the Securities Act of 1933 because such shares were, in the opinion of Messrs. Thelen, Marrin, Johnson & Bridges, counsel for the Corporation, issued in such manner as to be exempt from the registration requirements of said Act.

All of the shares to which this application relates are being registered under the Securities Exchange Act of 1934 and the Corporation has filed with the Securities and Exchange Commission and all of the Exchanges to which application for listing is being made, including the Midwest Stock Exchange, an application on Form 10 for the registration of such shares under said Act.

HISTORY AND BUSINESS

GENERAL

The Corporation was incorporated with a perpetual charter in Delaware on December 9, 1940, under the name of Todd-California Shipbuilding Corporation. On November 18, 1941, its name was changed to The Permanente Metals Corporation, and on November 28, 1949, to Kaiser Aluminum & Chemical Corporation.

The Corporation, which presently produces about 21 per cent of the primary aluminum produced in this country, fabricates and sells its output largely in the form of flat rolled items, including flat sheet, coil, corrugated sheet, blanked shapes, and foil; rod, bar, wire, and cable; and alloy ingot and pig. Aluminum products accounted for about 96 per cent of sales and gross profit in the fiscal year ended May 31, 1950, with chemical and refractory products providing the balance.

During World War II, the Corporation engaged in shipbuilding activities and produced primary magnesium and related chemical and refractory products. Following the war, it discontinued its shipbuilding activities and the production of primary magnesium.

DEVELOPMENT OF THE BUSINESS

The Corporation entered the aluminum field in mid-1946 when it leased three large Government-owned plants which it subsequently (in 1949) purchased: an alumina plant at Baton Rouge, Louisiana, a reduction plant at Mead, Washington, and a mill for the production of flat rolled products at Trentwood, Washington,



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ten miles from Mead. Since then, the Corporation has been diversifying and integrating its aluminum operations. In 1947, it purchased a Government-owned reduction plant at Tacoma, Washington. Subsequently it increased the combined annual capacity of both reduction units from 257,500,000 to 340,000,000 pounds. During 1949, products were diversified by acquiring a Government-owned rod and bar plant at Newark, Ohio, which was equipped to make wire and cable, and by installing a foil mill at Permanente, California. It extended its integration by the acquisition of substantial bauxite reserves in Jamaica, British West Indies, to supplement a long-term contract with Alcoa Mining Company, and built a soda ash plant at Owens Lake, California.

The Corporation is now engaged in a major expansion program which contemplates the construction near New Orleans, Louisiana of a 200,000,000 pound reduction plant, the development of its Jamaican bauxite reserves, and the adaptation of its Baton Rouge alumina plant to process the Jamaican ore. The entire program has been certified as necessary in the interest of national defense under Section 124A of the Internal Revenue Code. This certification permits 80 per cent of the cost (exclusive of land) of the program to be amortized over a five-year period for Federal tax purposes. On completion in mid-1952, the Corporation will have capacity to produce 540,000,000 pounds of primary aluminum, or more than all of the primary aluminum produced in the United States in 1940. The program will provide the Corporation with a reduction plant in the mid-continent area which will be supplied by alumina from nearby Baton Rouge, and which will be much nearer major consuming markets and the bar and cable mill in Ohio than the Corporation's present units in the Northwest. The new unit will use natural gas as fuel for the generation of electricity. The Corporation believes that its new reduction plant will be fully competitive with its existing units.

The Government has recently agreed to lease to the Corporation an aluminum extrusion plant located near Baltimore, Maryland, for a period of five years with options to renew for three successive additional periods of five years each. The Corporation is now negotiating for an option to purchase this plant. Extruded shapes produced in this plant will complete the Corporation's diversification into all of the major aluminum wrought product markets. At the present time the aircraft industry is a large consumer of aluminum extrusions.

DEVELOPMENT OF THE INDUSTRY

From 1888 to 1941 the Aluminum Company of America was the only producer of primary aluminum in the United States. Reynolds Metals Company, the second largest producer in the United States, began production of primary aluminum in 1941, and the Corporation became the third producer of primary aluminum in this country in 1946.

The production of primary aluminum has increased substantially in the last ten years, as shown in the following table:

Year	Primary Aluminum Production in Pounds		
	The Corporation	Total United States* Including the Corporation	The Corporation's Percentage of Total Production
1940	None	412,600,000	None
1947	184,979,000	1,143,500,000	16.2%
1948	256,289,000	1,246,912,000	20.5%
1949	259,948,000	1,206,924,000	21.5%
1950	296,570,000	1,437,244,000	20.6%

*Source: U. S. Department of the Interior, Bureau of Mines.

Aluminum Company of Canada, Ltd., the largest producer in 1950 on this continent, operates reduction plants in Canada which have an ingot capacity, based on owned power, of about 770,000,000 pounds annually. According to the Bureau of Mines, 30,610,000 pounds of primary aluminum were imported into this country from Canada in 1947, 155,112,000 pounds in 1948, 142,202,000 pounds in 1949, and 310,782,000 pounds in 1950. The duty on primary aluminum imported into this country is presently 2¢ per pound.

Steps have been taken by the Government to divert some of the flow of aluminum from normal consumer channels to defense and stockpile purposes. The extent of stockpiling by the Government is undeterminable, but is expected to be substantial. The Corporation has been advised that approximately 16 per cent of its March, 1951 production may be purchased for stockpiling by the Government. A construction and reactivation program designed to meet over-all United States needs has been initiated to increase the country's productive potential by 1952 by approximately 1,000,000,000 pounds per year, or about 65 per cent, including 158,000,000 pounds of reactivated idle, high-operating cost production facilities. Under this program, the Corporation's economic reduction capacity will be increased by 200,000,000 pounds per year (60 per cent of present capacity) as against a like amount for Reynolds Metals Company (44 per cent of its present capacity) and 240,000,000 pounds per year for Aluminum Company of America (31 per cent of its present capacity).

A number of factors have been influential in the rapid growth of the aluminum industry. The metal is extremely light, weighing about one-third as much as iron, copper, or zinc. It is durable, will not rust, is highly resistant to atmospheric and chemical (other than alkali) attack, is adaptable to most metal-working processes and, with the exception of soldering, can be readily joined by the usual techniques such as welding or brazing. Its ability to conduct heat evenly and rapidly makes it ideal for kitchen utensils, and as a reflector of light and radiant heat it is finding increasing acceptance in the building industry. While pure aluminum is a low-strength metal, its tensile strength can be increased through alloying to that of mild steel, thereby offering a combination of light weight and high strength, qualities which have found a widening application, particularly in the field of transportation. Aluminum has become established as the leading material in electrical transmission lines. Other applications of growing importance are conduit, household wiring, cable sheathing, and electrical hardware. The metal's non-toxicity and economy in handling have developed a variety of applications in the canning and packaging industries. As foil or collapsible tubes, it is used to protect food and tobacco products of all kinds, cosmetics, shaving cream, toothpaste, and the like.

Generally speaking, aluminum competes with other materials in these uses. Where direct competition occurs, aluminum has been aided by a widening price differential in its favor, and the fact that it has not reached the degree of market saturation of the older metals.

Aluminum has had a favorable price history. A long down trend in pig aluminum prices started after World War I and continued with little interruption until the latter part of 1948. During this same period prices of other metals fluctuated widely but on balance worked higher. Under the more recent inflationary pressures, pig aluminum has moved up from its post-war low of 14¢ per pound, but, percentagewise, considerably less than other metal prices. Currently it is still one of the few commodities, and the only major metal, selling below prices prevailing in the pre-war period.

PRODUCTION AND SALES

In the manufacture of aluminum approximately two pounds of bauxite are necessary for the production of one pound of alumina, and approximately two pounds of alumina and 10 kwh of electric power are required to produce one pound of aluminum. The production in thousands of pounds of the Corporation's aluminum plants from the time such plants were placed in operation by the Corporation to February 28, 1951 has been as follows:

	Fiscal Years Ended May 31 (000 Omitted)				Nine Months Ended February 28, 1951
	1947 Pounds	1948 Pounds	1949 Pounds	1950 Pounds	
Baton Rouge—					
Alumina	171,546	444,419	493,999	568,487	454,464
Hydrate			2,291	7,134	9,172
Mead—Pig Aluminum.....	119,604	192,423	217,473	222,558	191,743
Tacoma—Pig Aluminum.....		21,083	44,974	49,631	36,742
Trentwood—					
Flat Sheet Products.....	160,146	222,940	247,056	207,579	192,335
Other Products.....		4,846	4,484	3,922	4,669
Toll Roll.....	378	1,088	780	1,606	5,356
Foil Plant.....			87	2,714	6,470
Newark—					
Electrical Conductor.....				23,796	32,795
Rod, Bar and Wire.....				1,034	7,915
Ingot—Secondary Aluminum.....				8,456	18,698
Billet				6,458	10,429
Toll Conversion.....				3,274	10,068

The Corporation sells most of its aluminum products at delivered prices, and therefore absorbs freight charges on these sales from the point of manufacture to the point of delivery. During the fiscal year ended May 31, 1950, freight so absorbed amounted to 5.3 per cent of gross sales of aluminum products.

The market in the western states is about 15 per cent of the total national market for aluminum sheet products. As indicated in the following table, the Corporation sells about one-third of the aluminum sheet products produced at the Trentwood plant in the western and export markets.

	Fiscal Years Ended May 31				Nine Months Ended February 28, 1951
	1947	1948	1949	1950	
	%	%	%	%	%
Western States*.....	38.3	39.2	30.4	31.2	30.3
All Other States.....	58.5	52.4	66.8	65.4	66.8
Export (including Hawaii and Canada)†	3.2	8.4	2.8	3.4	2.9
	100%	100%	100%	100%	100%

*Washington, Oregon, California, Idaho, Nevada, Arizona, Montana, Wyoming, Utah, Colorado and New Mexico.

†The Corporation's principal export market has been the Philippine Islands.

Generally, mill sales are made in carload lots and are handled through the Corporation's wholly-owned sales subsidiary, Kaiser Aluminum & Chemical Sales, Inc. The latter has its general sales offices in Chicago, Illinois, and 26 additional sales and service offices throughout the United States. Nine warehouses are located in various cities in the United States for the purpose of expediting shipments to smaller customers. There are about 23 distributors who sell to and service less than carload buyers of sheet products. Export sales are handled through 20 agents covering sales in foreign countries.

The distribution of the Corporation's sheet aluminum products produced in the Trentwood plant among various industries and outlets from the time the plant was placed in operation to February 28, 1951 has been as follows:

	Fiscal Years Ended May 31				Nine Months Ended February 28, 1951
	1947	1948	1949	1950	
	%	%	%	%	%
Trentwood Sheet Products:					
Aircraft	15.3	4.0	10.1	8.3	14.4
Transportation	13.1	9.8	7.9	6.9	9.7
Utensils and Appliances.....	26.9	17.3	16.8	20.1	16.7
Building Materials.....	30.0	23.8	20.4	23.1	18.4
Distributors		28.6	29.6	24.2	23.5
Export	3.2	8.4	2.8	3.4	2.9
Miscellaneous	11.5	8.1	12.4	14.0	14.4
	100%	100%	100%	100%	100%

The products produced at the Newark plant include electrical conductor sold principally to the electric utility industry; wire, rod, and bar sold principally to manufacturers of insect screen, nails, rivets, and screw machine products; ingots produced from scrap (secondary aluminum) and billets sold primarily to manufacturers of aluminum castings for the automotive, aircraft, and household appliances industries, and for extrusions.

SUPPLY CONTRACT WITH THE GOVERNMENT

The Corporation has entered into a contract with the United States of America dated December 19, 1950, pursuant to which it is now constructing, adjacent to New Orleans, Louisiana, an aluminum reduction plant with an annual capacity of 200,000,000 pounds, and certain other facilities.

The contract covers the production and sale of 1,000,000,000 pounds of aluminum, which is equal to five years' production from the new plant, and provides that such production and sale must be completed within six years after completion of the new facilities, but in no event later than July 1, 1958, unless the time is extended as provided in the contract. During the term of the contract, the Government has first call on metal produced from the new plant and guarantees to purchase at market prices all metal not otherwise disposed of by the Corporation. Subject to the Government's call, the Corporation reserves the right to dispose of or fabricate one-third of the new production and agrees to offer the balance to non-integrated users.

Provision is also made for Government priority assistance in the construction of the plant. The Government retains the right to terminate the contract after the production of 500,000,000 pounds by the payment of a cancellation fee equal to the then unamortized portion of 80% of the cost of the facilities. After receipt of the cancellation fee, the Corporation is obligated to pay to the Government a production charge or royalty computed on a poundage basis on all aluminum produced from this plant until the amount so paid is equal to the cancellation fee, or until fifteen years have passed, whichever first occurs.

BRIEF FINANCIAL HISTORY

The Corporation has made gross expenditures for additions to its property, plant and equipment aggregating \$22,247,000 from the time its aluminum properties were placed in operation in 1946 to February 28, 1951, in addition to the purchase cost aggregating \$43,500,000 of its major aluminum plants. As of February

28, 1951, the Corporation had recorded on its books, property, plant and equipment having an original cost to it of \$72,596,000.

The expansion of the Corporation's business during this period was financed out of general funds, the proceeds from the sale of 600,000 shares of Capital Stock in 1948 amounting to \$8,100,000, and promissory notes secured by purchase money mortgages representing the cost to it of the plants purchased from the Government. The purchase money mortgages were satisfied and discharged on February 20, 1951, by the payment of \$33,394,250 in cash and delivery to the United States of America of the Corporation's \$4,000,000 promissory note described under "Funded Debt."

The Corporation is engaged in a construction program to be financed by the sale to institutional investors of \$75,000,000 First Mortgage Bonds, 3½% Series Due 1976, provisions for depreciation and amortization, and retained earnings. Expenditures for this program, scheduled for completion in 1953, are presently estimated at:

- \$74,500,000 for the construction of the Louisiana reduction plant and power generating facilities,
- 8,500,000 for the development of Jamaican bauxite reserves,
- 5,500,000 for the adaptation of the Baton Rouge alumina plant, and
- 1,900,000 for expansion and reactivation of the Corporation's chemical plants.

BAUXITE SUPPLY

The Corporation has a contract with Alcoa Mining Company, a subsidiary of Aluminum Company of America, for the purchase of bauxite used in the production of alumina in the Baton Rouge plant. This contract, which runs until 1963, provides that in the event of certain circumstances beyond the control of the parties resulting in a shortage of supply, the needs of the Aluminum Company of America shall have preference over those of the Corporation. The Corporation has the privilege under the contract at any time after January 1, 1952, if the Corporation acquires and produces bauxite from its own mines, to cancel its commitments over stated periods. It is the present intention of the Corporation to continue purchases under this contract. The current consumption of bauxite at the Baton Rouge plant is at the rate of approximately 600,000 long tons per year. The contract with Alcoa Mining Company calls for the delivery of approximately 500,000 long tons per year. The balance of the bauxite used by the Corporation is currently purchased from Alcoa Mining Company and another supplier. As the new reduction plant at New Orleans comes into production, a further supply of bauxite will be required until the Corporation's Jamaican bauxite properties are developed, presently expected to be accomplished by mid-1953. The Corporation is now negotiating for this supply.

The Corporation owns or has contracted to purchase and has exploratory permits with regard to properties in Jamaica containing bauxite deposits which the Corporation's own geological surveys indicate contain an estimated proven reserve of 14,000,000 long dry tons of bauxite. It has options on additional properties which are known to contain substantial bauxite deposits, but which have not yet been proved. The processing of Jamaican bauxite has been tested in a pilot plant at the Baton Rouge plant. Under the law of Jamaica, ownership of bauxite, irrespective of the ownership of land, is vested in the government, and cannot be mined except under government lease or concession. Mining operations in Jamaica will be subject to the obtaining of government leases or concessions, to the payment of royalties currently fixed at approximately 17 cents per ton, to the obligation to restore mined land for agricultural purposes, and to certain other conditions. The Corporation intends to mine bauxite in Jamaica and no difficulty is anticipated in obtaining the government leases or concessions or otherwise meeting the conditions on such mining. Preparation for mining operations will require substantial expenditures, presently estimated through mid-1953 at \$8,500,000, for the construction of facilities including a dock, a railroad to the deposits, and the purchase of shovels, trucks, and other quarrying and excavating equipment, as well as for storage facilities and a drying plant.

PATENTS

While the Corporation owns certain patents which pertain to its refractory and magnesia operations and to the production of magnesium, it does not own any important patents upon which its business is materially dependent relating to the production or fabrication of aluminum. However, the Corporation holds various licenses upon which its aluminum production operations are materially dependent.

The more important of these licenses are non-exclusive, non-assignable, continue for the life of the patents to which they relate, and either are royalty-free or require the payment of reasonable royalties which do not materially affect the Corporation's competitive position.

RESEARCH

The Corporation maintains, in addition to testing laboratories at each plant, research and development laboratories which are devoted primarily to development of new products and processes, new product uses, improvement of present products, and the solution of fabricating and processing problems. Approximately 93 employees are presently engaged in research work, and expenditures for research and development have increased from \$360,000 in the fiscal year ended May 31, 1948 to over \$1,000,000 in the nine months ended February 28, 1951.

DESCRIPTION OF PROPERTY

The Corporation's plants are all of modern design, built of structural steel, brick and concrete, and are in good operating condition. Brief descriptions of these plants and of the plant to be built at New Orleans are set forth below:

ALUMINUM PLANTS

Baton Rouge Alumina Plant: This plant, built in 1942 and 1943 on a 125-acre site on the Mississippi River outside Baton Rouge, for the production of alumina from bauxite by the Bayer process, has a designed capacity of 1,000,000,000 pounds of alumina annually. A portion of the plant is being adapted for the processing of Jamaican ore. It is expected that by mid-1952 the plant will be capable of producing the 1,080,000,000 pounds of alumina required for capacity operation of the reduction plants. The estimated expenditures for this program are \$5,500,000. The plant has a dock and unloading facilities for the unloading of ocean-going freighters of 10,000 tons capacity.

Mead Reduction Plant: This plant, built in 1942 and 1943 on a 243-acre site near Spokane, Washington, for the production of primary aluminum from alumina by electrolysis in cells using pre-baked electrodes, has an estimated capacity of 290,000,000 pounds of aluminum per annum when the plant's seven potlines are in full operation. It is the second largest aluminum reduction plant in the United States.

Electricity is procured under a contract with the Bonneville Power Administration at a cost of two mills per kwh. This contract provides that the Administration will furnish firm power in the amount of 189,000 kw for use at the plant until June 30, 1963. This amount of electricity is sufficient to operate approximately five potlines. The Corporation is currently purchasing additional interruptible power from the Administration for the operation of the remaining potlines. The total amount of power consumed when the plant is operating at capacity is approximately 290,000 kw. Interruptible power may be curtailed by the Administration, and is sold in lieu of firm power because of inadequate firm power supply. The Corporation may terminate the interruptible power at the end of any monthly period. The extent to which interruptible power may be curtailed depends upon water conditions affecting hydro-electric generation on the Columbia River. During the season 1948-49, interruptible power was partially curtailed during the period November through February. During the season 1949-50, interruptible power was partially curtailed during the months of September and October, and was wholly curtailed from October 25, to December 14. There was no curtailment of power during the 1950-51 season.

Tacoma Reduction Plant: This plant, built in 1942 on a 129-acre site in Tacoma, Washington, for the production of primary aluminum from alumina by electrolysis in cells using continuous electrodes, has an estimated capacity of 50,000,000 pounds of aluminum per annum. Electric power is procured under contract, running until April 23, 1967, with the Bonneville Power Administration. This contract provides that the Administration will furnish 50,000 kw, which is sufficient to operate the plant at capacity.

Trentwood Rolling Mill: This plant, built in 1942 and 1943 on a 525-acre site in Trentwood, Washington, on the Spokane River, has facilities for the production of sheet, plate, and strip from pig and scrap aluminum, with a production capacity of 360,000,000 pounds per annum. It is also equipped to produce aluminum corrugated roofing, siding, screening, circular blanks, and various roll-formed products. Electric power is procured under contract with the Bonneville Power Administration.

Newark Mill: This plant, built in 1942 and 1943 on a 300-acre site near Newark, Ohio, has facilities for the production of blooms, rod, bar, wire, and cable, and equipment for the application of insulating materials. The rated annual capacity of the mill is: 348,000,000 pounds for blooms; 300,000,000 pounds for rod and bar rolling; 150,000,000 pounds for rod and bar finishing; and 80,000,000 pounds for wire and cable finishing. The Corporation has also installed at this plant equipment having an annual capacity of 75,000,000 pounds for refining and alloying aluminum scrap and pig into ingots for the foundry trade and billets for extrusion fabricators.

Permanente Foil Mill: This plant, located at Permanente, California, has an estimated production capacity of approximately 1,000,000 pounds per month of aluminum foil. Following its acquisition by the Corporation in 1947, the foil mill was removed from its then location, Teningen, Germany, to Permanente, California, and modernized and placed in operation in 1949. The plant is equipped to produce plain, colored, embossed and paper-backed foils.

Louisiana Reduction Plant: The Corporation is constructing a new plant estimated to cost \$74,500,000 and to have an annual capacity for the production of 200,000,000 pounds of primary aluminum from alumina by electrolysis in cells using continuous electrodes. The plant will be located on a 285-acre site adjacent to New Orleans. Initial operation of the plant is estimated for the latter part of 1951 and capacity operation, when the plant's four pot lines are activated, is scheduled for mid-1952. The plant will include facilities for generating electricity with a total installed capacity of 250,000 kw. This energy will be produced by generators driven by internal combustion engines using natural gas as fuel and by turbines powered with steam from boilers fired by natural gas. The Corporation's requirements for natural gas up to 70,000,000 cubic feet per

day will be supplied under a twenty year contract with United Gas Pipe Line Company, providing complete flexibility with respect to the operation of the plant, except that after any period of idleness of twelve consecutive months, the supplier may cancel the contract unless the Corporation elects to pay a charge of \$350,000. Deep water for shipping is available at the plant site for the transportation of both raw materials and finished products.

Halethorpe Extrusion Plant: This plant, constructed on a 32-acre site by the Government during World War II and located at Halethorpe, Maryland, seven miles from Baltimore, has been leased by the Corporation from the Government for a term of five years with options to renew for three successive periods of five years each. The plant, now being prepared for operation, has an annual capacity of 16,000,000 pounds of extrusions and 1,800,000 pounds of forgings.

CHEMICAL PLANTS

The principal plants of the Chemical Division have been constructed since 1941 and consist of a plant at Natividad, California, for the production of dolomitic products; two plants at Moss Landing, California for the production of refractories, refractory materials, and related chemicals; and a soda ash plant near Lone Pine, California, now held in stand-by condition, having a designed capacity of 27,500 tons of soda ash per annum.

A ferrosilicon plant at Permanente, California is being reactivated and additional facilities are being installed at the Natividad, California dolomite plant at a total estimated cost of \$1,900,000, to produce materials to be sold to Kaiser Magnesium Company, a wholly-owned subsidiary.

Kaiser Magnesium Company has entered into a five year contract, subject to cancellation at the end of two years, with the United States of America, pursuant to which Kaiser Magnesium Company will reactivate a magnesium plant owned by the Government at Manteca, California, and will operate it for the production of metallic magnesium.

CHARACTER OF OWNERSHIP OF PROPERTY

The Corporation owns in fee all of the above-described plants, except the Halethorpe and Manteca plants which are owned by the Government. The Baton Rouge, Mead, Tacoma, Trentwood, and Newark plants were purchased from the United States Government at an aggregate cost of \$43,500,000. The original cost of these plants is reported to have been about \$120,000,000.

The deeds to the Baton Rouge, Mead, Trentwood, and Newark plants contain national security clauses which require the Corporation to maintain the properties in good repair, to refrain from alterations which reduce capacity, unless restoration can be made within 120 days, and upon request of the Secretary of Defense, to devote, on just and reasonable terms, productive capacity to the needs of the armed forces. In the cases of the Baton Rouge, Mead, and Trentwood plants, the Corporation can be required to make 50 per cent of capacity available, and also capacity in excess of 50 per cent, provided that with regard to capacity in excess of 50 per cent, it shall not be required to so devote any greater percentage of the operable capacity at any such plants than is required to be so devoted by any other United States operators of facilities producing products of the type produced in the plant. Further, in the case of Baton Rouge, the Government cannot require, under the applicable national defense clause, a percentage of capacity which will prevent the Corporation from producing alumina for its own reduction plants. The capacity of the Tacoma plant is required to be made available for the needs of the armed forces to the extent required of other operators of similar plants. The national security clauses run until July 1, 1964.

AFFILIATED COMPANIES

With respect to the corporations listed below, the number of issued and outstanding shares of stock having voting power and the number and percentage of such shares owned by the Corporation are:

Name and State of Incorporation	Number and Class of Issued and Outstanding Shares	Number of Shares Owned by Corporation	Percentage Owned by Corporation
Kaiser Aluminum & Chemical Sales, Inc. (California)	100 No par value capital stock	100	100%
Kaiser Bauxite Company (Nevada)	10,000 \$1 par value capital stock	10,000	100%
Kaiser Magnesium Company (Nevada)	1,000 \$1 par value capital stock	1,000	100%
Sierra Magnesite Company (Nevada)	100 \$100 par value capital stock	50	50%

Kaiser Aluminum & Chemical Sales, Inc. is the entity through which the Corporation makes substantially all of the sales of its aluminum products. Kaiser Bauxite Company was organized for the principal

purpose of owning and operating the bauxite properties in Jamaica, B. W. I.; this company is not yet active. Kaiser Magnesium Company was organized primarily for the purpose of operating the Government-owned magnesium plant under the arrangements described under "Property Description." Sierra Magnesite Company is engaged in mining magnesite, but its activities are insignificant in relation to the business of the Corporation, and it is not considered by the Corporation to be a subsidiary.

The names of all stockholders owning, directly or indirectly, 10% or more of the Capital Stock of the Corporation, and the extent of each such ownership, are as follows:

Name	Number of Shares Owned	Percentage Owned
Henry J. Kaiser Company	648,156	20.77%
Kaiser Industries, Inc.	903,253	28.95%
General Construction Company	377,440	12.10%

Henry J. Kaiser Company owns 8.4% of the issued and outstanding shares of Kaiser Industries, Inc.

Mr. Henry J. Kaiser owns beneficially 2.5% of the stock of Kaiser Industries, Inc. and 24.98% of the stock (carrying 33.3% of the voting rights) of Henry J. Kaiser Company. Trustees under two trusts, the life beneficiaries of which are, respectively, Mr. Edgar F. Kaiser and his wife, Sue Mead Kaiser, each owns 7.6% of the stock of Kaiser Industries, Inc. and 12.47% of the stock (carrying 8.3% of the voting rights) of Henry J. Kaiser Company. Trustees under a trust of which the life beneficiary is Mr. Henry J. Kaiser, Jr. own 16.4% of the stock of Kaiser Industries, Inc. and 24.97% of the stock (carrying 16.6% of the voting rights) of Henry J. Kaiser Company. Messrs. Edgar F. Kaiser and Henry J. Kaiser, Jr., are sons of Mr. Henry J. Kaiser.

MANAGEMENT

Following is a list of the names, addresses and offices of the directors and officers of the Corporation:

Name and Address	Office	Other Principal Business Affiliation
Henry J. Kaiser 1924 Broadway Oakland, Calif.	Director and President	Director and President of Kaiser Steel Corporation; Chairman of the Board of Directors of Kaiser-Frazer Corporation; Director and President of Permanente Cement Company
E. E. Trefethen, Jr. 1924 Broadway Oakland, Calif.	Director and Executive Vice President	Director and Executive Vice President of Kaiser Steel Corporation; Director and Vice President of Kaiser-Frazer Corporation; Director and Executive Vice President of Permanente Cement Company
D. A. Rhoades 1924 Broadway Oakland, Calif.	Director, Vice President and General Manager	
G. G. Sherwood 1924 Broadway Oakland, Calif.	Director, Vice President and Secretary	Director, Vice President and Secretary of Kaiser Steel Corporation; Director of Kaiser-Frazer Corporation; Secretary and Treasurer of Permanente Cement Company
H. N. Black Selling Building Portland, Oregon	Director	Attorney; Director of General Construction Company
Paul S. Marrin 111 Sutter Street San Francisco, Calif.	Director and Assistant Secretary	Director of Kaiser Steel Corporation; Partner of Thelen, Marrin, Johnson and Bridges
G. J. Shea 2801 W. Mission Rd. Alhambra, Calif.	Director	Director and President of The Shea Company; Director and President of J. F. Shea Investment Co.
W. G. Swigert 333 Kearny Street San Francisco, Calif.	Director	Director and President of Pacific Bridge Company
Frank Walker 45 Montgomery Street San Francisco, Calif.	Director	Partner of Dean Witter & Co.
Donald Browne 1924 Broadway Oakland, Calif.	Vice President, Treasurer and Assistant Secretary	
Chad F. Calhoun 1200 - 18th St., N.W. Washington, D. C.	Vice President	
T. J. Ready, Jr. 1924 Broadway Oakland, Calif.	Vice President	
R. A. Clayton 1924 Broadway Oakland, Calif.	Comptroller and Assistant Treasurer	
Oscar Cox 1210 - 18th St., N.W. Washington, D. C.	Assistant Secretary	
William Marks 1924 Broadway Oakland, Calif.	Assistant Secretary	

Mr. Henry J. Kaiser, President of the Corporation, has been actively engaged in business for many years and has wide experience in the organization and management of important industrial enterprises.

Mr. E. E. Trefethen, Jr., Executive Vice President of the Corporation, has been associated with various Kaiser enterprises since 1926.

Mr. D. A. Rhoades, Vice President and General Manager of the Corporation, has been associated with various Kaiser enterprises since 1927. Prior to assuming the general management of the Corporation, Mr. Rhoades was in charge of manufacturing for Permanente Cement Company. He also managed the manufacturing operations of the Corporation during a major part of the time it was engaged in the production of magnesium metal and, during this time, also directed the operations of the Natividad and Moss Landing plants and the production of ferrosilicon at the Permanente plant of the Corporation.

Mr. G. G. Sherwood, Vice President and Secretary of the Corporation, has been associated with various affiliated companies since 1919, principally as secretary and chief financial officer.

Mr. Donald Browne, Vice President and Treasurer of the Corporation, has been associated with the Corporation since 1946 and previously with various affiliated companies since 1935.

Mr. Chad F. Calhoun, Vice President of the Corporation, has been associated, for more than 10 years, with many of the projects sponsored by Mr. Henry J. Kaiser.

Mr. T. J. Ready, Jr., Vice President of the Corporation, has been the assistant general manager of the aluminum division since 1946 and previously was associated with various affiliated companies since 1942.

Mr. R. A. Clayton, Comptroller and principal accounting officer of the Corporation, was chief accountant from 1946 to 1950 when he was appointed to his present position. Previously he was associated, since 1942, with other projects sponsored by Mr. Henry J. Kaiser.

The direct manufacturing operations of the aluminum division of the Corporation are headed by twelve individuals whose experience in the aluminum industry has ranged from 5 to 24 years.

EMPLOYEES—LABOR RELATIONS

On April 15, 1950, the Corporation adopted a voluntary contributory savings and retirement plan, which was approved by the stockholders at a meeting held on April 11, 1950. The plan is administered by Bank of America National Trust and Savings Association, San Francisco, California, as trustee. The benefits under the plan are funded by insurance which is purchased from amounts contributed by both the participating employees and the Corporation. All employees receiving salaries in excess of \$250 per month are eligible to participate at the end of three years' continuous service if not then over the age of 64 years and 6 months. Service with certain affiliated or related organizations is counted in determining length of service. The plan provides for retirement and death benefits and cash payments in the event of withdrawal from the plan after five years' service.

Eight officers and 455 other employees of the Corporation and its sales subsidiary presently are participating in the plan. The cost of the plan to the Corporation and its sales subsidiary, applicable to the fiscal year ended May 31, 1950, was \$136,465, the corporate portion of the annual premium on the funding insurance. Of this amount \$20,346 was applicable to past services and \$116,119 to future services. As additional employees become eligible or in the event of increase in the average level of eligible employees' salaries, payments by the Corporation and its sales subsidiary will increase correspondingly.

As of February 28, 1951, the Corporation had 6,327 employees and its sales subsidiary had 436 salaried or office employees. Substantially all hourly-paid employees are represented by various labor organizations with which the Corporation has collective bargaining agreements. Relations with employees have been generally harmonious and there have been no serious work stoppages in the Corporation's history.

In February, 1950, the Corporation entered into an agreement with United Steelworkers of America (C.I.O.) establishing a pension plan for employees represented by that union, which agreement was approved at a meeting of the stockholders of the Corporation held on April 11, 1950. The plan provides for pension benefits to each employee who has had fifteen years' continuous service upon reaching 65 years of age or upon being incapacitated through unavoidable causes. Under the plan as now constituted, no employees will be eligible for pension benefits until 1961, and the amounts payable are designed only to supplement (to the extent necessary to produce the pension benefits provided by a variable benefit formula) social security and other public benefits existent at the time of payment of pension benefits. However, the plan is subject to further negotiation on or after December 31, 1955. Therefore, the extent of social security and other public benefits, the extent of the pension benefits provided by the plan, and other such factors are not determinable at this time. By reason of the foregoing indeterminable factors, no reasonable estimate of cost to the Corporation can be made at this time, no provision is currently being made for benefit payments, and no decision has been reached as to whether or not to fund the benefit payments. The Corporation does not expect to make determinations of the cost, or whether to fund the cost, of the plan until the now indeterminable factors are resolved, which may not occur until the plan is finalized by further negotiation.

DIVIDEND RECORD

The following is a statement of the dividends paid by the Corporation on its capital stock during each of the last five fiscal years and the nine months' period ended February 28, 1951:

Fiscal Year Ended May 31	Cash Dividend Per Share ^①	Aggregate Amount of Cash Dividends
1946	\$1.26	\$3,933,000
1947	None	None
1948	.433 ^②	1,349,808
1949	1.217	3,796,000
1950	1.25	3,900,000
Nine months to February 28, 1951.....	.975 ^③	3,042,000

① On the basis of 3,120,000 shares outstanding on February 28, 1951.

② In addition, on May 28, 1948, the Board of Directors declared a dividend, pro-rata to its then stockholders, of 100,000 shares of Kaiser-Frazer Corporation (being all of such stock owned by the Corporation) which had been purchased by the Corporation in August, 1947, at an aggregate cost of \$675,000.

③ In addition, on July 27, 1950, the Board of Directors declared a stock dividend of one share of Capital Stock for each five shares then outstanding and held of record as of August 14, 1950. Pursuant to this declaration, 520,000 shares of the Corporation's Capital Stock were issued on August 31, 1950. A charge of \$7,020,000 (\$13.50 per share) was made against Earned Surplus Account for the capital stock issued as a dividend, and \$520,000 and \$6,500,000 were credited to Capital Stock Account and Capital Surplus Account, respectively.

CAPITALIZATION

The original capitalization of the Corporation consisted of 5,000 shares of no par value stock, of which 1,000 shares were initially issued at a price of \$100 per share. As of December 31, 1941, the Corporation issued a total of 3,600 shares to the stockholders of Richmond Shipbuilding Corporation in exchange for all of the shares of that corporation then outstanding. Thereafter, the Corporation took over all the assets and liabilities of Richmond Shipbuilding Corporation, which was then dissolved. On May 24, 1946, the Corporation purchased and retired 912 of its 4,600 then outstanding shares, leaving 3,688 shares outstanding. In February 1948, the Corporation amended its Certificate of Incorporation so as to authorize 4,000,000 shares of new \$1 par value Capital Stock and issued 2,000,000 of such new shares in exchange for the 3,688 shares of outstanding old stock on the basis of 542-138/461 shares of the new stock for each share of the old. On July 7, 1948, the Corporation, pursuant to authorization of its Board of Directors on June 21, 1948, issued and sold 600,000 shares of its Capital Stock to underwriters, at a cash price of \$13.50 per share, for resale to the public. The purpose of this latter issue and sale was to augment the working capital position of the Corporation and to provide funds for additions to and improvements of plant facilities. On July 27, 1950, the Board of Directors declared and on August 31, 1950, the Corporation issued 520,000 shares of its Capital Stock to its stockholders as a 20% stock dividend.

OPTIONS, WARRANTS, CONVERSION RIGHTS, ETC.

There are no options, purchase warrants, conversion rights or other commitments in existence pursuant to which the Corporation may be required to issue any of its securities, except that the Corporation has entered into agreements for the sale of an aggregate of \$75,000,000 of its First Mortgage Bonds, 3½% Series Due 1976.

FUNDED DEBT

The aggregate amount of long-term debt of the Corporation and its subsidiaries outstanding as of February 28, 1951 was \$44,000,000. The outstanding issues consisted of:

\$40,000,000 3½% bank loans due 1952-55.

\$ 4,000,000 4% promissory note due in 94 equal quarterly installments commencing April 1, 1951 and secured by a pledge of United States Treasury Bills.

The Corporation is obligated to sell at various times between March 1, 1951 and August 31, 1952 an aggregate principal amount of \$75,000,000 of First Mortgage Bonds, 3½% Series Due 1976. When issued, these bonds will be subject to a sinking fund commencing in 1955 and will be secured by an Indenture of Mortgage and Deed of Trust constituting a first lien upon substantially all of the physical property of the Corporation now owned or hereafter acquired and a pledge of the stock of Kaiser Bauxite Company.

STOCK PROVISIONS

The Corporation has only one class of stock, namely, Capital Stock, par value \$1 per share, of which 4,000,000 shares are now authorized and 3,120,000 shares are issued and outstanding. Each holder of the Capital Stock is entitled to one vote for each share held and to participate ratably in the net assets of the

Corporation upon liquidation. The Capital Stock carries with it no preemptive or other subscription rights, no conversion rights, and there are no provisions for redemption thereof or a sinking fund with respect thereto. The holders of the Capital Stock are not liable to future calls or to assessment thereon. Holders of the Capital Stock are entitled to such dividends as the Board of Directors may from time to time declare.

The Loan Agreement, under which the above-mentioned bank loans were made, provides, among other things, that the Corporation will maintain consolidated net current assets of \$15,000,000 from February 9, 1951 to December 31, 1952; \$20,000,000 from January 1, 1953 to December 31, 1953; and \$25,000,000 from January 1, 1954 and thereafter as long as any indebtedness under the Loan Agreement is outstanding. The Indenture of Mortgage and Deed of Trust, which will secure the above-mentioned First Mortgage Bonds, 3½% Series Due 1976 will provide that so long as any of the Bonds are outstanding the Corporation will not declare, pay or make any dividends or distribution (except any dividend or distribution made solely in shares of its capital stock) on, or redeem or otherwise acquire for a consideration, any shares of its capital stock if at the time of, and after giving effect to, such declaration, payment, distribution or acquisition, the aggregate amount of cash and fair value of properties delivered or to be delivered pursuant to all such declarations, payments, distribution and acquisition made subsequent to November 30, 1950, plus the net amount of investments in affiliates of the Corporation other than pledged subsidiaries (as defined in such indenture) for the period from December 1, 1950, to the date of such declaration, payment, distribution or acquisition, would exceed the sum of (1) the consolidated net profit of the Corporation and its restricted subsidiaries (as defined in such indenture) for the period from December 1, 1950, to the end of the last calendar month preceding the date of such declaration, payment, distribution or acquisition, and (2) the aggregate amount of cash and fair value of properties received by the Corporation for shares of its capital stock issued subsequent to November 30, 1950, to the extent that such aggregate amount does not exceed the aggregate amount of cash and fair value of properties delivered or to be delivered by the Corporation pursuant to acquisition of shares of the capital stock of the Corporation made subsequent to November 30, 1950, plus the net amount of investments in affiliates of the Corporation other than pledged subsidiaries for the period from December 1, 1950, to the date of such declaration, payment, distribution or acquisition, and (3) in case of any dividend or distribution on preferred stock of the Corporation, or any acquisition of preferred stock of the Corporation pursuant to the operation of any sinking, purchase or analogous fund provided therefor, \$5,000,000. Any preferred stock created by reclassification of, or issued as a stock dividend on, common stock of the Corporation is to be deemed common stock of the Corporation for purposes of the foregoing provisions. The foregoing provisions are not to restrict any acquisition of shares of capital stock of the Corporation in exchange for other shares of capital stock of the Corporation except to the extent that any cash is to be paid by the Corporation in connection with such exchange.

LITIGATION

In the opinion of the Corporation, there are no material legal proceedings pending by or against the Corporation except certain actions which have been commenced by stockholders of Kaiser-Frazer Corporation relating to the Corporation's Trentwood, Mead, Baton Rouge and Newark plants, which litigation is discussed below.

On June 30, 1948, Eva Lefker, as owner of 25 shares of stock of Kaiser-Frazer Corporation, instituted an action now pending and entitled "*Lefker v. The Permanente Metals Corporation, et al.*" in the United States District Court for the District of Delaware. On July 2, 1948, Otis & Co. filed a similar action now pending and entitled "*Otis & Co. v. The Permanente Metals Corporation, et al.*" in the Court of Chancery of the State of Delaware in and for New Castle County. On July 9, 1948, Hazel C. Fleming, as owner of 40 shares of stock of Kaiser-Frazer Corporation, filed an action now pending and entitled "*Fleming, et al. v. Kaiser, et al.*" in the Superior Court of the State of California in and for the City and County of San Francisco. On May 14, 1948, Jerome R. Pergament and George J. London, as owners of 300 shares and 8 shares, respectively, of stock of Kaiser-Frazer Corporation, filed an action now pending and entitled "*Pergament, et al. v. Frazer, et al.*" in the United States District Court for the Eastern District of Michigan, Southern Division.

In general and in substance, the relief sought in each of the foregoing named actions is the same, so far as such litigation involves the Corporation or its properties.

Proceedings in the *Lefker*, *Otis & Co.*, and *Fleming* cases are either open for pleading by stipulation or are subject to pending preliminary motions filed by defendants. Proceedings in the *Pergament* case are now active and, by reason of the foregoing statement as to the similarity of all of the foregoing actions, only the latter named litigation will be described, but the description thereof, in so far as the relief sought is concerned, is applicable in substance to the other actions.

As originally filed, the complaint in the *Pergament* case did not name the Corporation as a defendant or seek any relief with respect to the Corporation or any of its properties. However, the complaint in that action was subsequently amended to make the Corporation and its wholly-owned subsidiary, Kaiser Aluminum & Chemical Sales, Inc., defendants, and the complaint, as amended, now seeks to recover a judgment

that the Corporation holds its Trentwood, Mead, Baton Rouge and Newark plants in trust for Kaiser-Frazer Corporation and that the Corporation and its said subsidiary be directed to assign those plants to Kaiser-Frazer Corporation, and that the Corporation and its said subsidiary be required to account to Kaiser-Frazer Corporation for all profits from the operation of those plants and the sale of products manufactured at those plants, and, further, that the Corporation be required to account for all damages sustained by Kaiser-Frazer Corporation as the result of the alleged diversion of such plants from the latter to the Corporation.

On October 25, 1949, a settlement agreement was entered into between the plaintiffs in said action and certain of the defendants, including the Corporation and its said subsidiary. The settlement agreement provided, among other things, that, subject to the approval of the Court, the individual defendants and corporate defendants named in said agreement would do or cause to be done certain acts for the benefit of Kaiser-Frazer Corporation, including the payment to it of the sum of \$500,000 in consideration of the release by Kaiser-Frazer Corporation and its stockholders of all claims in connection with certain transactions, including all transactions connected with the Trentwood, Mead, Baton Rouge and Newark plants. At the time the settlement agreement was entered into, it was understood and agreed between the individual and corporate defendants that the Corporation, upon the approval of the settlement by the Court, would pay to Kaiser-Frazer Corporation said sum of \$500,000.

A petition for approval of the settlement agreement was filed with the United States District Court for the Eastern District of Michigan, Southern Division, and extended hearings were thereafter held with respect to the proposed settlement. On August 11, 1950, an opinion was rendered by the Honorable Frank A. Picard, a District Judge of said Court, approving the proposed settlement agreement and, on September 13, 1950, an order approving the compromise and settlement and dismissing the action was made and entered. By notice of appeal dated October 5, 1950, certain stockholders of Kaiser-Frazer Corporation who opposed the approval of the settlement at the trial court hearings, appealed from said order to the United States Court of Appeals for the Sixth Circuit, and this appeal is now pending.

The Corporation has been advised by its counsel that in their opinion, (1) the lease and subsequent purchase by the Corporation of the Trentwood, Mead, Baton Rouge and Newark plants cannot successfully be attacked by Kaiser-Frazer Corporation or its stockholders; (2) the Corporation should prevail and be successful in defending against the claims of the plaintiffs in the aforementioned litigation, should it become necessary to litigate the merits of such claims; and (3) the order of the United States District Court for the Eastern District of Michigan, Southern Division, approving the compromise and settlement and dismissing the *Pergament* action, should be affirmed on appeal and that, if so affirmed, said order will be a bar to any further proceedings against the Corporation in connection with any of the other aforementioned suits or any other litigation on behalf of Kaiser-Frazer Corporation or its stockholders with respect to the lease and subsequent acquisition by the Corporation of its Trentwood, Mead, Baton Rouge and Newark plants, or any thereof.

BUSINESS, FINANCIAL AND ACCOUNTING POLICIES

LEASES:

From 1946 until July 1, 1949, three of the six plants operated by the Corporation in its aluminum operations were leased from the United States Government. As of July 1, 1949 these plants were purchased by the Corporation.

Since July 1, 1949 no substantial portion of the Corporation's business has been conducted in leased premises.

DEPRECIATION:

The policy of the Corporation and its subsidiaries with respect to provisions for depreciation and amortization of property, plant, and equipment has been to make such provisions on a straight-line basis at rates based upon the estimated useful lives of the various classes of assets. The principal annual rates in effect at May 31, 1950 and February 28, 1951 were as follows:

Buildings and structures.....	2 to 20%
Machinery and equipment.....	4 to 20%
Research and development equipment.....	10%
Automotive equipment.....	16⅔ to 33⅓%
Office furniture and equipment.....	6⅔ to 25%

COMMITMENTS:

As indicated under the caption History and Business, the Corporation has a contract with Alcoa Mining Company for the purchase of bauxite. Otherwise, it is not the policy of the Corporation to make future commodity commitments to an extent which would materially affect its financial position.

It is not necessary, in the normal course of business, for the Corporation to expand working capital through short term loans or otherwise.

VALUATION OF INVENTORIES:

The inventories are stated principally at average cost which is lower than market. In general, the practice followed in adjusting inventories to the lower of cost or market is to make such adjustment on the basis of groups of items of a particular class or stage of production. As to products which require further processing the term "market" is considered to mean the cost of replacement or reproduction; as to finished products, "market" is considered to mean the net selling price less an allowance for selling expense and profit.

In the consolidated financial statements, intercompany profits have been eliminated so far as determinable.

COST OF GOODS SOLD:

The cost of goods sold is computed generally on the basis of current average cost, which includes manufacturing overhead.

CONSOLIDATION:

All of the wholly-owned subsidiaries of the Corporation are included in the consolidation.

All of the companies employ the same general principles of accounting.

ACCOUNTANTS' REPORT

KAISER ALUMINUM & CHEMICAL CORPORATION:

We have examined the consolidated balance sheet of Kaiser Aluminum & Chemical Corporation (formerly The Permanente Metals Corporation) and its subsidiary company as of May 31, 1947, and the related consolidated statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have also reviewed the accompanying tabulations set forth in the summary of consolidated earnings for the year ended May 31, 1947. In our opinion, such tabulations present fairly, in accordance with generally accepted accounting principles, the information contained therein.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

April 11, 1951, as of
June 8, 1948.

ACCOUNTANTS' CERTIFICATE

KAISER ALUMINUM & CHEMICAL CORPORATION:

We have examined the consolidated balance sheet of Kaiser Aluminum & Chemical Corporation and its subsidiary company as of May 31, 1949 and 1950 and the related summaries of consolidated income and surplus for the two years ended May 31, 1950. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We also have reviewed the accompanying summary of consolidated earnings in so far as it relates to the three years ended May 31, 1950.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and surplus, with their footnotes, present fairly the financial position of the companies at the stated dates and the results of their operations for the stated period, and the summary of consolidated earnings, in so far as it relates to the three years ended May 31, 1950, summarizes fairly the results of operations for that period, all in conformity with generally accepted accounting principles which were applied on a consistent basis, except for the change in method of accounting for potlining costs as set forth in Note 4 of the accompanying notes to financial statements, which change we approve.

April 11, 1951, as of
July 17, 1950.

HASKINS & SELLS

KAISER ALUMINUM & CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

Summary of Consolidated Earnings for the Four Years and Nine Months Ended February 28, 1951 (See Note 1)

	Year Ended May 31				Nine Months Ended February 28, 1951 (Not audited by independent accountants)
	1947	1948	1949	1950	
Gross Sales, Less Discounts, Returns, Allowances, and Freight.....	\$45,418,191	\$61,593,967	\$73,669,182	\$76,246,411	\$88,774,719
Gross Profit on Sales.....	\$12,553,632	\$19,589,304	\$25,400,687	\$24,574,133	\$31,463,536
Expenses and Other Charges:					
Selling, general, and administrative expenses.....	\$ 2,474,859	\$ 4,443,016	\$ 5,450,071	\$ 6,338,359	\$ 6,379,513
Interest (net).....	182,913	100,257	4,630	1,257,494	1,174,003
Pre-operating expenses of new plants.....	875,240	615,907	767,605	596,201	
Gain* (loss) on sale of property, salvage, etc.....	14,200	650,067*	95,721*	112,347*	32,286*
Miscellaneous (net).....	370,736	21,147*	56,728	322,616*	12,017
Total.....	\$ 3,917,948	\$ 4,487,966	\$ 6,183,313	\$ 7,757,091	\$ 7,533,247
Net Income Before Provision for Federal Income Taxes	\$ 8,635,684	\$15,101,338	\$19,217,374	\$16,817,042	\$23,930,289
Provision for Federal Income Taxes (includes \$2,777,000 for Federal excess-profits tax in 1951).....	3,297,510	5,857,000	7,194,000	6,285,000	13,335,000
Net Income.....	\$ 5,338,174	\$ 9,244,338	\$12,023,374	\$10,532,042	\$10,595,289

*Denotes red figure.

NOTES:

- The above summary is submitted only for the four years and nine months ended February 28, 1951 because the Corporation had not begun operations in the aluminum business prior to June 1, 1946, and the shipbuilding and metallic magnesium operations which constituted the major part of the business conducted prior to the period covered by this summary had been discontinued by June 1, 1946.
- Charges for depreciation, depletion, and amortization of property, plant, and equipment for the four years and nine months ended February 28, 1951 were as follows:

Year Ended May 31:	Amount
1947	\$ 282,448
1948	1,011,560
1949	1,459,621
1950	4,349,541
Nine Months Ended February 28, 1951.....	3,278,519

KAISER ALUMINUM & CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, May 31, 1949, May 31, 1950, and February 28, 1951

	May 31, 1949	May 31, 1950	February 28, 1951 (Not audited by independent accountants)
ASSETS			
CURRENT ASSETS:			
Cash	\$16,148,874	\$13,155,845	\$ 15,580,278
United States Treasury Bills and accrued interest (includes \$199,572 pledged with the United States Government as collateral to current instalments on long-term note payable) (see Note 3).....			\$ 7,696,962
Receivables:			
Trade accounts, less allowance for doubtful receivables—1949, \$536,814; 1950, \$424,241; 1951, \$515,164.....	\$ 7,710,616	\$10,413,323	\$ 16,352,457
Claims for refund of Federal taxes on income.....	331,819	18,431	
Other	550,381	469,028	546,219
Receivables—Net	\$ 8,592,816	\$10,900,782	\$ 16,898,676
Inventories (principally at average cost, which is lower than market).....	\$14,448,922	\$17,690,241	\$ 16,286,684
Total current assets.....	\$39,190,612	\$41,746,868	\$ 56,462,600
INVESTMENTS AND NON-CURRENT RECEIVABLES:			
United States Treasury Bills (pledged with the United States Government as collateral to long-term note payable) (see Note 3).....			\$ 3,829,788
Other	\$ 736,869	\$ 554,980	876,528
Total investments and non-current receivables.....	\$ 736,869	\$ 554,980	\$ 4,706,316
PROPERTY, PLANT, AND EQUIPMENT—At cost (see Notes 2 and 3).....	\$21,372,912	\$65,146,649	\$ 72,596,292
Less accumulated depreciation, depletion, and amortization.....	11,645,399	14,594,488	17,798,621
Total property, plant, and equipment—Net.....	\$ 9,727,513	\$50,552,161	\$ 54,797,671
DEFERRED CHARGES:			
Prepaid taxes and insurance.....	\$ 661,336	\$ 946,418	\$ 1,139,269
Other	544,570	323,982	455,083
Total deferred charges.....	\$ 1,205,906	\$ 1,270,400	\$ 1,594,352
Total.....	<u>\$50,860,900</u>	<u>\$94,124,409</u>	<u>\$117,560,939</u>
LIABILITIES			
CURRENT LIABILITIES:			
Notes payable (portion due within one year).....	\$ 250,000	\$ 2,225,000	\$ 170,212
Accounts payable.....	3,105,580	3,396,526	3,107,093
Taxes payable and accrued:			
Federal taxes on income.....	7,286,303	6,291,746	15,007,290
Other taxes (see Note 8).....	1,015,549	1,617,834	2,375,222
Refundable deposits.....		249,540	491,335
Other accrued liabilities.....	2,497,133	2,356,027	3,978,099
Total current liabilities.....	\$14,154,565	\$16,136,673	\$ 25,129,251
LONG-TERM NOTES PAYABLE (see Note 3):			
United States Government.....	\$ 1,937,500	\$39,164,125	\$ 4,000,000
Less amount due within one year.....	250,000	2,225,000	170,212
Remainder	\$ 1,687,500	\$36,939,125	\$ 3,829,788
Banks			40,000,000
Total long-term notes payable.....	\$ 1,687,500	\$36,939,125	\$ 43,829,788
OPERATING RESERVES.....	\$ 602,266		
CAPITAL STOCK AND SURPLUS (see Note 7):			
Capital stock—authorized, 4,000,000 shares of \$1.00 each; outstanding, 2,600,000 shares in 1949 and 1950 and 3,120,000 shares in 1951.....	\$ 2,600,000	\$ 2,600,000	\$ 3,120,000
Surplus:			
Capital	\$ 7,373,145	\$ 7,373,145	\$ 13,873,145
Earned	24,443,424	31,075,466	31,608,755
Total surplus.....	\$31,816,569	\$38,448,611	\$ 45,481,900
Total capital stock and surplus.....	\$34,416,569	\$41,048,611	\$ 48,601,900
Total.....	<u>\$50,860,900</u>	<u>\$94,124,409</u>	<u>\$117,560,939</u>

The accompanying Notes to Financial Statements are an integral part of this statement

KAISER ALUMINUM & CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

Summary of Consolidated Income for the Two Years and Nine Months Ended February 28, 1951

	Year Ended May 31		Nine Months Ended February 28, 1951 (Not audited by independent accountants)
	1949	1950	
NET SALES.....	\$73,669,182	\$76,246,411	\$88,774,719
COST OF GOODS SOLD.....	48,268,495	51,672,278	57,311,183
GROSS PROFIT ON SALES.....	\$25,400,687	\$24,574,133	\$31,463,536
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES.....	5,450,071	6,338,359	6,379,513
PROFIT FROM OPERATIONS.....	\$19,950,616	\$18,235,774	\$25,084,023
OTHER INCOME:			
Interest.....	\$ 77,343	\$ 221,877	\$ 23,216
Gain on sale of property and salvage.....	95,721	112,347	32,286
Other (see Notes 4 and 5).....	446,640	1,703,119	201,841
Total.....	\$ 619,704	\$ 2,037,343	\$ 257,343
Total.....	\$20,570,320	\$20,273,117	\$25,341,366
INCOME CHARGES:			
Interest.....	\$ 81,973	\$ 1,479,371	\$ 1,197,219
Pre-operating expenses of new plants.....	767,605	596,201	
Other (see Note 8).....	503,368	1,380,503	213,858
Total.....	\$ 1,352,946	\$ 3,456,075	\$ 1,411,077
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAXES.....	\$19,217,374	\$16,817,042	\$23,930,289
PROVISION FOR FEDERAL INCOME TAXES (includes \$2,777,000 for Federal excess-profits tax in 1951).....	7,194,000	6,285,000	13,335,000
NET INCOME.....	\$12,023,374	\$10,532,042	\$10,595,289

Summary of Consolidated Surplus for the Two Years and Nine Months Ended February 28, 1951

	Year Ended May 31		Nine Months Ended February 28, 1951 (Not audited by independent accountants)
	1949	1950	
CAPITAL SURPLUS:			
Balance at beginning of period.....		\$ 7,373,145	\$ 7,373,145
Add:			
Excess of proceeds over stated value of capital stock sold (600,000 shares at \$12.50 per share) less expenses relating to issuance thereof, \$126,855 (see Note 7).....	\$ 7,373,145		
Accumulated earnings capitalized in connection with capital stock dividend (520,000 shares at \$12.50 per share) (see Note 7).....			6,500,000
Balance at end of period.....	\$ 7,373,145	\$ 7,373,145	\$13,873,145
EARNED SURPLUS:			
Balance at beginning of period.....	\$16,216,050	\$24,443,424	\$31,075,466
Net income for the period.....	12,023,374	10,532,042	10,595,289
Total.....	\$28,239,424	\$34,975,466	\$41,670,755
Less dividends:			
Cash.....	\$ 3,796,000	\$ 3,900,000	\$ 3,042,000
Capital stock of Company—520,000 shares at \$13.50 per share (see Note 7):			
Amount transferred to capital stock account.....			520,000
Amount transferred to capital surplus.....			6,500,000
Total.....	\$ 3,796,000	\$ 3,900,000	\$10,062,000
Balance at end of period.....	\$24,443,424	\$31,075,466	\$31,608,755
Total surplus.....	\$31,816,569	\$38,448,611	\$45,481,900

The accompanying Notes to Financial Statements are an integral part of these statements

KAISER ALUMINUM & CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES**Notes to Financial Statements****1. Principles of Consolidation:**

The accompanying consolidated financial statements represent the consolidation of the accounts of Kaiser Aluminum & Chemical Corporation (formerly The Permanente Metals Corporation) and its wholly-owned subsidiaries, Kaiser Aluminum & Chemical Sales, Inc. (formerly Permanente Products Company), Kaiser Bauxite Company, and Kaiser Magnesium Company. The changes in the names of the companies, as indicated above, were effected on November 28, 1949. Kaiser Bauxite Company and Kaiser Magnesium Company were organized in December 1950 as wholly-owned subsidiaries of the Corporation.

In the Consolidated Balance Sheet all intercompany accounts have been eliminated and intercompany profits in inventories have been eliminated so far as determinable. Intercompany transactions have been eliminated also in the Summary of Consolidated Income.

The Corporation's equity in the net assets of Kaiser Aluminum & Chemical Sales, Inc. as shown by its books exceeded the investment therein by \$383,207 at May 31, 1949, \$439,967 at May 31, 1950, and \$748,669 at February 28, 1951. These differences represent undistributed earnings of the subsidiary and have been credited to earned surplus in consolidation. The Corporation's equity in the net assets of each of the other subsidiaries at February 28, 1951 was equal to the investment therein.

The consolidated statements do not include Sierra Magnesite Company, which is owned 50% by the Corporation and 50% by Food Machinery & Chemical Corporation. Sierra Magnesite Company has never been considered a subsidiary by the Corporation and the investment therein is not considered significant.

2. Property, Plant, and Equipment:

The property, plant, and equipment accounts include war emergency facilities acquired under certificates of necessity and fully amortized, in the aggregate amount of approximately \$9,200,000 at May 31, 1949 and \$7,600,000 at May 31, 1950 and February 28, 1951, which are still being used in connection with the Corporation's chemical and aluminum operations.

During the year ended May 31, 1949 the property accounts and the related reserve for amortization were reduced by \$14,358,651 to eliminate from the accounts certain fully-amortized war emergency facilities formerly used for magnesium operations but no longer in use.

From 1946 until July 1, 1949 the Baton Rouge, Mead, and Trentwood plants were owned by the United States Government but leased to and operated by the Corporation. As of July 1, 1949 these plants were purchased by the Corporation. The Tacoma and Newark plants were purchased from the United States Government in 1947 and 1949, respectively. All of these plants were pledged under purchase-money mortgages issued to the United States Government. The net book value of the plants was approximately \$47,500,000 at May 31, 1950 and the unpaid balances of the purchase-money obligations aggregated \$39,164,125 at that date. The purchase-money mortgages were retired in February 1951 (see Note 3).

Charges for depreciation, depletion, and amortization of property, plant, and equipment for the years ended May 31, 1949 and 1950 and the nine months ended February 28, 1951 amounted to \$1,459,621, \$4,349,541, and \$3,278,519, respectively.

3. Plant Expansion and Financing:

As of December 19, 1950, the Corporation entered into a contract with the United States Government which provided that the Corporation would construct and acquire additional facilities for the production of 500,000 tons of primary pig aluminum at the rate of approximately 100,000 tons per year. This program contemplates the construction near New Orleans, Louisiana of a 100,000 ton reduction plant, the development of Jamaican bauxite reserves, and the adaptation of the Baton Rouge alumina plant to process the Jamaican ore. Under the terms of the agreement, the Government is permitted to purchase such of the aluminum production as it desires and undertakes to purchase any remaining quantity of aluminum not used in commercial channels. The agreement is subject to termination by the Government after 250,000 tons of aluminum have been produced from the additional facilities after completion, upon payment by the Government of the unamortized cost of 80% of such facilities.

For the purpose of financing the additional facilities and for the purpose of retiring indebtedness to the United States Government, the Corporation entered into agreements in February 1951 with eighteen insurance companies providing for the sale (subsequent to February 28, 1951) of \$75,000,000 principal amount of its First Mortgage Bonds, 3½% series due 1976, and with eight banks providing for loans in the principal amount of \$40,000,000 bearing interest at the rate of 3½% per annum.

The bank loans are payable in semi-annual instalments of \$6,000,000 commencing on November 30, 1952 with a final instalment of \$4,000,000 on November 30, 1955. The bonds are subject to redemption through the operation of a sinking fund in the principal amount of \$2,000,000 on November 30, 1955, \$6,000,000 on May 31, 1956, \$8,500,000 on May 31, 1957 and \$2,000,000 on May 31 of each year thereafter to and including May 31, 1975; the balance of \$22,500,000 is due on January 1, 1976.

The purchase-money mortgages referred to in Note 2 above were retired in February 1951 by a cash payment of \$33,394,250 and a promissory note payable to the United States Government dated February 20, 1951 in the principal amount of \$4,000,000 bearing interest at 4% per annum and maturing in 94 equal quarterly instalments commencing April 1, 1951. The Corporation has pledged as collateral to secure payment of the principal and interest on the note United States Treasury Discount Bills maturing May 10, 1951 having an aggregate maturity value of \$4,040,000 and a current value at February 28, 1951 of \$4,029,360.

Substantially all of the plant properties of the Corporation now owned or to be acquired will be subject to a mortgage securing the bonds to be issued and the capital stock of Kaiser Bauxite Company will be pledged as collateral.

The loan agreements and the trust indenture provide, among other things, that there shall be limitations on other borrowings and on the payment of cash dividends. These limitations are described under the caption Stock Provisions on page 11 of this application.

4. Pot-Lining Costs:

During the year ended May 31, 1950 the Corporation adopted the practice of charging the costs of relining pots at the Mead reduction plant to operations as such costs are incurred, whereas previously it had been the practice to accumulate a reserve for relining these pots. Accordingly, the balance in the reserve at the beginning of the year, amounting to \$589,745, was transferred to "Other Income."

5. Profit Limitations and Renegotiation:

During the year ended May 31, 1949 a provision of \$517,500 was made for estimated refunds to the United States Government on contracts subject to limitation of profits under the Vinson Act. This provision was reversed during the year ended May 31, 1950 because of the issuance of government regulations indicating that contracts subject to the Renegotiation Act of 1948 are not subject to profit limitation under the Vinson Act. Under recent government rulings, there is a possibility that certain sales which are not subject to the Renegotiation Act of 1948 may still be subject to the Vinson Act but a determination as to the extent of such sales, if any, has not yet been made.

Statistical records of the Corporation indicate that approximately 5% of the sales for the years ended May 31, 1949 and 1950 may be subject to renegotiation under the Renegotiation Act of 1948. Similar information for the nine months ended February 28, 1951 is not available but it is the opinion of the management that the percentage of renegotiable sales for that period would

KAISER ALUMINUM & CHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

Notes to Financial Statements (Concluded)

be somewhat greater than the percentages for the two preceding years. No provision for renegotiation adjustments has been made in the accounts as the liability, if any, is not determinable at this time.

6. Pension Plans:

During the year ended May 31, 1950 the stockholders approved the adoption of a voluntary insured contributory savings and retirement plan for salaried employees and officers who qualify under the terms of the plan. Contributions to the corporate trustee in the amount of \$133,994 and accrued amounts aggregating \$99,930 were charged against income during the year ended May 31, 1950 and the nine months ended February 28, 1951, respectively.

The stockholders also approved a pension plan for those employees represented by the United Steelworkers of America in the Tacoma, Mead, Trentwood, and Newark plants. Under the plan an employee retiring at the age of 65 after fifteen years of continuous service is entitled to receive a pension based upon a formula, with a minimum of \$60 per month less social security benefits. No contributions are to be made by the employees toward the payment of the pension. No provision has been made in the accounts for possible future payments as the plan is subject to future negotiation on or after December 31, 1955 and no employee will be eligible for pension benefits until 1961.

7. Changes in Capitalization:

During the fiscal year ended May 31, 1949 the Corporation sold through underwriters an additional 600,000 shares of its capital stock for a net amount of \$8,100,000 (\$13.50 per share). Of this amount, \$600,000 was credited to the capital stock account and \$7,500,000 (less expenses relating to the stock issue, \$126,855) was credited to paid-in surplus.

In July 1950 the Board of Directors of the Corporation declared a 20% stock dividend payable on August 31, 1950 to stockholders of record on August 14, 1950 and a cash dividend of \$.325 per share payable on the same date and applicable to the 520,000 shares to be issued as a stock dividend as well as to the 2,600,000 shares previously outstanding. The stock dividend was taken into the accounts at a price of \$13.50 per share of which \$1.00 per share, \$520,000, was credited to the capital stock account and \$12.50 per share, \$6,500,000, was credited to capital surplus.

8. Contingent Liabilities:

The Corporation has been named as a defendant in suits alleging, among other things, that acquisition of the leases relating to the Trentwood rolling mill, Mead reduction plant, and Baton Rouge alumina plant were in violation of the rights of Kaiser-Frazer Corporation. The Corporation has been advised by its counsel that in their opinion all proceedings relating to the acquisition of these leases were valid. The District Court of the United States, for the Eastern District of Michigan, Southern Division, has approved a compromise settlement of the litigation under which the Corporation would make a cash payment of \$500,000 and this amount was charged against income of the year ended May 31, 1950 and is included in the item "Other Income Charges" in the accompanying Summary of Consolidated Income. However, the decision of the court has been appealed and the proposed payment has not yet been made. Reference is made to pages 11 and 12 of this application for further information relating to this litigation.

The Corporation and its sales subsidiary file income or franchise tax returns in a large number of states. The methods followed in reporting state taxes have not yet been approved by the various states and it is not possible to determine whether additional tax payments may be required.

Federal income tax returns of the Corporation have not been reviewed by the Treasury Department for periods subsequent to May 31, 1946, and those of the subsidiary companies have not been examined for any period. It is believed that any adjustments which may be required with respect to the unexamined years would have no material effect upon the financial condition of the companies.

Reference is made to Note 3 for information as to plans for expansion of plant facilities, and to Note 5 for information as to renegotiation of contracts.

The Corporation is also contingently liable under miscellaneous claims and suits in the normal course of business, but the management is of the opinion that settlements will not involve material amounts.

LISTING AGREEMENTS

In consideration of the premises, the undersigned hereby agrees with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain a transfer office or agency in San Francisco, California and/or New York City, New York, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain in Oakland, California and/or New York City, New York, a registry office, not identical with the transfer office, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the Company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the transfer agents to act, the Company will immediately take the necessary steps to secure a new transfer agency in San Francisco or New York City, as the case may be. In the event the transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration as aforesaid, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the Company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in San Francisco, California and/or New York City, New York.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

The fiscal year of the Corporation ends on May 31.

The principal business address of the Corporation is 1924 Broadway, Oakland 12, California.

The statutory office address of the Corporation is 100 West 10th Street, Wilmington 99, Delaware.

The annual meeting of the stockholders of the Corporation is held on the first Monday in November at 10 o'clock in the forenoon, at 1924 Broadway, Oakland 12, California. The holders of a majority of the Capital Stock issued and outstanding constitute a quorum.

Applications for listing are also being made to the New York, San Francisco and Los Angeles Stock Exchanges.

The names and addresses of the Transfer Agents and Registrars are:

Transfer Agents: Bank of America National Trust & Savings Association,
300 Montgomery Street
San Francisco 20, California

The Marine Midland Trust Company of New York
120 Broadway
New York 15, New York

Registrars: Central Bank
14th & Broadway
Oakland 4, California.

The Chase National Bank of the City of New York
11 Broad Street
New York 15, New York.

KAISER ALUMINUM & CHEMICAL CORPORATION

DONALD BROWNE
Vice President





Sangamo Electric Company

(An Illinois Corporation)

Common Shares

(Par Value \$10 Per Share)

Prepared by the Company

for

Midwest Stock Exchange

The Company has made application to list on the Midwest Stock Exchange 589,000 Common Shares of the par value of \$10 per share which will result from changing each of the 294,500 presently outstanding Common Shares without par value into two new shares of the par value of \$10 per share by an amendment to the Articles of Incorporation of the Company. Such amendment was approved by the shareholders on May 16, 1951, and is to be filed with the Secretary of State of the State of Illinois after 2:00 o'clock P.M., C.D.S.T., on May 16, 1951. The listing of such new shares is to become effective when said amendment becomes effective.

This application was approved by the Executive Committee of the Exchange on May 14, 1951.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE MIDWEST STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS HEREIN CONTAINED.

Sangamo Electric Company

(An Illinois Corporation)

Common Shares

(Par Value \$10 Per Share)

LISTING

Reference is hereby made to the following previous listing applications of the Company:

June 30, 1927.....	125,000 shares
April 22, 1936	17,250 shares
April 12, 1937	139,000 shares
March 11, 1946.....	8,000 shares
June 28, 1948	8,500 shares

As of August 26, 1936, 3,250 shares were delisted since the purpose for such listing no longer existed.

CAPITAL SHARES

(After proposed amendment becomes effective.)

<u>Title of Issue</u>	<u>Authorized</u>	<u>Outstanding</u>
Preferred Shares, \$50 par value, issuable in series	50,000 shs.	None
Common Shares, \$10 par value	800,000 shs.	589,000 shs.

AUTHORITY AND PURPOSE OF ISSUE

On May 3, 1951, the Board of Directors of the Company recommended the adoption by the shareholders of the Company of an amendment to its Articles of Incorporation changing and increasing the authorized Common Shares from 300,000 shares without par value to 800,000 Common Shares of the par value of \$10 per share, changing the 294,500 presently outstanding Common Shares without par value into 589,000 Common Shares of the par value of \$10 per share on the basis of two new shares for each outstanding share, and authorizing 50,000 Preferred Shares of the par value of \$50 per share issuable in series. Such amendment was submitted to and adopted by the shareholders at a special meeting duly held on May 16, 1951. It is contemplated that the amendment will be filed with the Secretary of State of the State of Illinois after 2:00 o'clock P.M., C.D.S.T., on May 16, 1951.

The proposed change in the outstanding Common Shares from 294,500 shares without par value to 589,000 shares of the par value of \$10 per share will result in increasing the stated capital of the Company in respect of such shares from \$2,356,000 (\$8 per share), to \$5,890,000 (\$10 per share), and there will be corresponding charges of \$644,585 to paid-in surplus and \$2,889,415 to earned surplus.

The purpose of the proposed split-up of outstanding shares is to make possible a wider distribution of the Common Shares of the Company, thus affording more extensive public ownership and providing a greater potential market for additional shares. The purpose of the change of the Common Shares from shares without par value to shares with par value is to reduce the stamp taxes incident to the issuance and transfer thereof. The purpose of the proposed authorization of 50,000 Preferred Shares and the increase in the number of authorized Common Shares (over and above the number of Common Shares necessary to effectuate the proposed split-up) is to make such shares available for sale or other issue from time to time as circumstances may require.

The Company is presently contemplating a public offering of approximately 111,000 additional Common Shares subject to effective registration thereof under the Securities Act of 1933 and subject to favorable market conditions existing at the time of the offering.

CERTIFICATES FOR COMMON SHARES

After the effective date of the proposed amendment, new certificates will be issued in exchange for old certificates upon surrender thereof to the transfer agent.

OPINION OF COUNSEL

Messrs. Sorling, Catron and Hardin of Springfield, Illinois, counsel for the Company, will give an opinion that upon the filing of the proposed amendment with the Secretary of State of the State of Illinois, the 294,500 outstanding Common Shares without par value will be changed into 589,000 Common Shares of the par value of \$10, which shares will be fully paid and non-assessable, with no personal liability attaching to the owners thereof.

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STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY

Common Stock
(Par Value \$1 per share)

Prepared by the Corporation

for

MIDWEST STOCK EXCHANGE

This application was approved by the
Executive Committee of Midwest Stock
Exchange on May 14, 1951.

THIS CIRCULAR WAS PREPARED BY THE CORPORATION FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE CORPORATION SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS HEREIN CONTAINED.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY

COMMON STOCK
(Par Value \$1 Per Share)

Chicago, Illinois
May 8, 1951

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY, a Delaware corporation (hereinafter called the "Company"), hereby makes application for the listing on the Midwest Stock Exchange of:

1,385,000 shares of its Common Stock, par value \$1 per share, all of which are issued and outstanding.

OPINION OF COUNSEL

There has been filed with the Midwest Stock Exchange the opinion of Messrs. McDermott, Will & Emery, Attorneys-at-law, 111 West Monroe Street, Chicago 3, Illinois, to the effect that the Company is a duly organized and existing corporation under the laws of the State of Delaware and is duly authorized and lawfully entitled to carry on the business for which it was organized; that the Company has an authorized capital stock of 1,500,000 shares of Common Stock, par value \$1 per share; that the 1,385,000 issued shares of Common Stock for the listing of which application is hereby made, have been validly issued and are fully paid and non-assessable, with no personal liability attaching to the owner thereof, under the laws of Delaware, where the Company is incorporated, or under the laws of Illinois where its principal executive offices are located; that the shares covered by this listing application were at the times of their issuance either registered under the Securities Act of 1933, as amended, or exempt from registration thereunder; and that the said 1,385,000 issued shares of Common Stock covered by this application are included in an application for registration under the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission. Mr. Edward H. McDermott, a member of the firm of McDermott, Will & Emery, is a director of the Company.

STATUS UNDER FEDERAL ACTS

Of the 1,385,000 shares of Common Stock outstanding, 660,000 shares have been duly registered under the Securities Act of 1933 by Registration Statements Nos. 2-6992 and 2-8623 which became effective May 7, 1947 and October 17, 1950, respectively. Of the 660,000 shares so registered 525,000 shares were issued shares being reoffered. Due to the circumstances under which these 525,000 shares and the remaining 725,000 unregistered shares of Common Stock were originally issued, from time to time, it is the opinion of counsel for the Company that registration thereof under said Act was not required.

An application on Form 10 for the registration of all of the shares of Common Stock covered by this application under the Securities Exchange Act of 1934 has been filed with the Securities and Exchange Commission.

HISTORY AND BUSINESS

The Company was organized as Standard Railway Equipment Company under the laws of the State of Delaware on September 2, 1926, with a perpetual charter. The name of the Company was changed in 1937 to Standard Railway Equipment Manufacturing Company.

The Company is a successor to a number of companies in the railway equipment industry formerly controlled by the late Walter P. Murphy. The principal predecessors of the Company and significant steps by which their businesses were acquired by the Company are outlined below:

(1) P. H. Murphy built a plant for manufacturing freight car roofs in New Kensington, Pennsylvania about 1900. This business was incorporated in 1913 as P. H. Murphy Company which was

acquired by Walter P. Murphy, became a subsidiary of the Applicant in a reorganization in 1926 and was liquidated into the parent in 1937.

(2) In 1913 a corporation was organized by Walter P. Murphy for the sale of car ends whose manufacture was subcontracted. This corporation was merged with Union Metal Products Company in 1922. A plant at Hammond, Indiana for manufacture of car ends was acquired by purchase in 1925. In a reorganization in 1926 Union Metal Products became a subsidiary of the Applicant and was liquidated into the parent in 1937. (Union Metal Products Company had been organized to sell car door hardware in 1915. Included in the 1922 merger was Imperial Appliance Company, organized some years previously by Walter P. Murphy to sell car couplers, release rigging and centering devices.)

(3) Hutchins Car Roofing Company, a manufacturer of freight car roofs organized in 1889 with a plant at Hyde Park, Pennsylvania was acquired indirectly by Walter P. Murphy in 1922-1925. This business became part of the Company by merger in 1938, operations in Hyde Park discontinued and the property sold in 1940.

(4) Chicago Cleveland Car Roofing Company, a manufacturer of car roofs with a plant in Warren, Ohio, was indirectly acquired by Walter P. Murphy in 1925. This business became part of the Company by merger in 1938, operations at Warren were discontinued and the property sold in 1946.

(5) P. H. Murphy Company, Hutchins Car Roofing Company and Union Metal Products Company (all of whom were eventually acquired by the Company as outlined above) had Canadian subsidiaries. This Canadian business, including a manufacturing plant at Lachine, Quebec acquired by purchase in 1928 and operated as Kenoway Sheet Metal Manufacturing Company, Ltd., was transferred to the Company's wholly owned subsidiary, Standard Railway Equipment Manufacturing Co. (Canada) Limited in 1938.

(6) By merger effective October 16, 1943, the Company acquired the business and assets of (1) Transportation Products Company (a railway equipment sales company with principal offices in Chicago, Illinois); (2) Railway Metal Products Company (a door fixture manufacturing company); and (3) Standard Railway Devices Company (a railway equipment selling company).

OUTLINE OF OPERATIONS

The Company has one active wholly owned subsidiary, Standard Railway Equipment Manufacturing Co. (Canada) Limited, which carries on sales and certain manufacturing activities in Canada. Except as otherwise indicated or required by the context, such subsidiary and its and the Company's predecessors are included in the term "Company," as that term is used herein in describing the business and properties of the Company.

The principal executive office of the Company is located at 310 South Michigan Avenue, Chicago, Illinois. Plants are located at Hammond, Indiana; New Kensington, Pennsylvania; and Lachine, Quebec.

The Company is engaged in the manufacture and sale of metal roofs, ends and other items of equipment, for use in the construction, repair and rebuilding of railroad freight cars. The principal products manufactured and sold are box car, refrigerator car and hopper car roofs, box car ends and end doors, refrigerator car ends and gondola car ends and end gates. During recent years, sales of roofs have amounted to approximately 35% to 45%, and sales of ends, end doors and end gates have amounted to approximately 30% to 35%, of total sales. Other products now being manufactured by the Company include freight car coupler carrier and positioning devices and release riggings; refrigerator car overhead bunker refrigerant containers; stock car adjustable deck mechanisms; side plates; pan doors for hopper cars; freight car metal floor protectors; and gondola and hopper car paneled sides. In addition, the Company has recently introduced a machine for truing diesel locomotive and car wheels.

Roofs manufactured and sold by the Company are shipped by the Company in separate sections, to be joined by riveting or welding. Roof sections generally are die stamped from galvanized sheet steel and are designed to furnish, when assembled, a rigid, weather-tight structure which furnishes resistance to distortion of the car body and provides maximum head room. Ends, end doors and end gates, referred to in general as "ends," are die stamped from steel, usually copper bearing open hearth or high tensile steel plate, and have a combination of corrugations, designed to furnish ruggedness and resistance to load impact and strain of switching and freight train operation. Refrigerator and box car ends usually are shipped in two or more sections, to be joined by riveting or welding. Roofs and ends not only furnish enclosure for the car but also function as structural members of the car. Maintenance expense is an important item of freight car operating costs, and the Company's products are designed to minimize such expense.

The Company in 1945 commenced the manufacture and sale of a new type of end (known as the "Improved Dreadnaught End"), with a combination of corrugations covered by a patent expiring August 1, 1961. The Improved Dreadnaught End is the principal type of end now sold by the Company.

An improved design of roof, having panels providing diagonal bracing and covered by a patent expiring September 3, 1963, was introduced in 1947, and now constitutes the principal type of roof manufactured and sold by the Company.

In July, 1950 the Company introduced a new machine for truing or restoring original contour to diesel locomotive and car wheels which is believed to be the first device developed which accomplishes the operation without removal of wheels, axels and trucks from the equipment. This machine, for which the Company has exclusive license rights, is expected to accomplish substantial reductions in out-of-service time for locomotives and cars with resulting savings in maintenance expense. The first two of such machines are now being manufactured for the Company under contract.

During recent years a relatively small number of so-called light weight freight cars and other special types of freight cars have been constructed. The Company believes that roofs and ends manufactured by it have been incorporated in most of such special types of freight cars constructed to date. If a substantial demand should develop in the future for such cars, the Company's experience indicates that its roofs and ends, in some cases made from light weight or other special materials, would be readily adaptable for use in such cars and could be manufactured without substantial change in the Company's plants and facilities.

All roofs sold by the Company are manufactured at its plants in New Kensington, Pennsylvania and Lachine, Quebec. All ends manufactured by the Company are manufactured at its Hammond, Indiana plant. The Company's requirements for ends in Canada are manufactured for it by Canadian car building companies, pursuant to the Company's engineering designs. The Company also designs and makes its own dies and die pieces from castings and steel stock.

The Company does not maintain any substantial inventory of finished roofs or ends. All roofs and ends manufactured by the Company are produced on order, according to the customers' requirements, which generally vary in some details between orders for particular customers and between particular orders for the same customer. The Company's equipment and engineering and manufacturing operations are adapted to the production of roofs and ends meeting varying specifications.

The Company continuously carries on research, engineering and development work with the object of improving its products, and it is the Company's policy, insofar as possible, to protect improvements by obtaining patents in the United States and Canada as well as in other countries where there is a reasonable business potential. The "Diagonal Panel Roofs" and the "Improved Dreadnaught Ends," which are the two most important products of the Company, are protected by United States patents expiring in 1963 and 1961, respectively. The Company's freight car coupler carrier and positioning device is covered by pending applications on which the Company expects to receive patents which will expire 17 years after issuance. The Company is the exclusive licensee under a pending United States patent application covering the recently introduced machine for truing diesel locomotive wheels. The Company also owns a large number of unexpired patents of lesser importance than those above mentioned.

The Company considers that patent protection is important in the conduct of its business, but not necessarily of greater importance than quality of product, efficiency of manufacture and aggressive sales and service policies. The Company believes that its patent protection is adequate for the present stage of development of freight car construction and design. In some instances design features, formerly covered by Company patents which have expired, are incorporated in products of other manufacturers, but the Company does not believe that its competitive position, as a consequence, has been materially affected.

Freight cars are built by car building companies, by some railroads and by certain other freight car owners such as refrigerator car lines. The major portion of the Company's sales are the result of direct negotiations with railroads and other freight car owners, even when shipments and billings are made to car building companies. Railroads and other freight car owners when purchasing cars from car building companies, frequently specify the use of the Company's products and also various products of other manufacturers of railway equipment such as doors, items of braking and coupling equipment, running boards, ladders, pipe and hose. Even when railroads purchase cars and do not specify use of the Company's products, its ends, roofs and other products are often supplied to a number of carbuilders as a result of negotiations between the Company and such carbuilders. A substantial portion of the Company's orders are received from railroads and other freight car owners for use in cars being constructed, repaired or rebuilt in their own shops for their own account. The Company's sales and engineering forces maintain continuous contact with the mechanical departments, the purchasing departments and executives of the railroads and other major freight car owners in the United States and Canada.

The Company knows of no other concern in the United States or Canada primarily engaged in the manufacture of freight car roofs or ends. Car building companies and certain other builders of freight cars, however, have engaged or may engage in the manufacture of products of the character manufactured by the Company, including models or adaptations of roofs and ends with respect to which the Company's patents have expired. Beginning in 1946, certain car building companies have been actively soliciting orders for freight cars of their own designs, without specifying the use of the Company's products or certain railway

specialties of various other manufacturers. The introduction of this form of competition has reduced somewhat the portion of available business which the Company has received. However, the Company believes that its roofs and ends were incorporated in over 85% of freight cars of the types to which such roofs and ends are applicable which were manufactured for domestic and Canadian use during the five years ended September 30, 1950.

The Company's volume of business fluctuates from year to year, since it is primarily dependent upon the volume of freight car construction and the general prosperity of the railroads and other major freight car owners. In 1946, 1947 and 1948 the volume of new orders was substantial and a substantial backlog was created. From April, 1949 to December, 1949 no orders for new cars were placed by the railroads. Since December, 1949 the volume of orders has increased and continued at an accelerated force.

As of December 31, 1950, unfilled orders and awards to the Company, which it regards as firm, totalled approximately \$30,000,000. Substantially all such orders and awards were at prices subject to change in the event of changes in material or labor costs of the Company.

In the summer of 1950 the member railroads of the Association of American Railroads adopted a program of new freight car construction which, if carried out, would increase the total freight car ownership of such roads by approximately 120,000 cars. The Company estimates that, taking into consideration current and future retirements of freight cars, in order to reach the announced goal of freight car ownership it would be necessary for freight cars to be built at a monthly rate approaching 10,000 for three years or longer, which is considerably in excess of the average monthly rate during recent years. The Company is unable to predict whether this program will be or can be carried out, or, if carried out, whether the Company will continue to receive the portion of the available business which it has had in the past. Among other factors of uncertainty are economic conditions from time to time prevailing, the prosperity of the railroads and their ability to finance railroad equipment acquisitions and the character of such financing, and the cost and availability of labor, steel and other materials.

The Chicago office of the Company is the principal sales office, and branch sales offices are maintained in San Francisco, California; St. Paul, Minnesota; New York, N. Y., and Montreal, Quebec. A relatively minor amount of sales in the United States is made through sales agents.

During World War II, the construction of new freight cars was restricted under the Government system of limitation orders due to the heavy demands for steel for other purposes. Shortly after the close of the war, a voluntary program was established to provide steel for new cars, and the construction substantially increased beginning in 1947. At the present time, assistance in obtaining steel is being given the builders of freight cars and car components through the operation of National Production Authority (NPA) Order, Supplement 1 to Order M-1, issued October 26, 1950. Under this Order, the flow of steel to manufacturers participating in the industry is expected to bring the production up to 10,000 cars monthly. The National Production Authority, through an order issued December 15, 1950, has arranged for the United States steel producing mills to contribute a specific tonnage monthly to the car building industry in Canada as assistance in the building of 1600 cars monthly. This Company, as a large manufacturer of component parts, both in the United States and in Canada, participates in these Government operated steel programs.

During World War II the Company, in addition to its usual peacetime products, manufactured certain special war products, including steel landing mats, gun shields, ship sections and pontoon plates. Net sales of war products amounted to approximately \$1,088,000 in 1942, \$3,504,000 in 1943, \$6,004,000 in 1944 and \$1,675,000 in 1945, representing approximately 8%, 37%, 31% and 11%, respectively, of total net sales for such years. The Company's percentage of profit on its sales of war products was substantially lower than on its sales of regular products. The Company is unable to state at this time what types of special war products, if any, it might manufacture in the future; its facilities are adaptable to the production of many types of such materials.

The Company's base period earnings credit for United States federal excess profits taxes now in effect is approximately \$4,000,000. Price ceilings for all of the Company's products are fixed by regulations issued by the Office of Price Stabilization.

PROPERTIES

The Hammond, Indiana plant consists of various buildings containing an aggregate of approximately 364,000 square feet of floor space. In addition, a personnel and welfare building of approximately 14,000 square feet is now under construction. In general, these buildings are of brick, steel or steel and wood frame construction. Slightly less than half of the aggregate floor space is represented by buildings constructed in 1938 and most of the remaining floor space is represented by buildings constructed during the years 1920 through 1924. A tract of approximately 85 acres of vacant land, adjacent to the Hammond plant, is owned by the Company.

The New Kensington, Pennsylvania plant consists of various buildings containing an aggregate of approximately 155,000 square feet of floor space. In general, these buildings are of wood or wood frame construction, are equipped with sprinkler system and in the main were constructed prior to 1915.

The Lachine, Quebec plant consists of various buildings, containing an aggregate of approximately 37,000 square feet of floor space. In general, these buildings are of reinforced concrete construction. Most of these buildings were constructed prior to the purchase of the Lachine plant in 1928.

The plant at Hammond has a railroad siding connecting with the Baltimore and Ohio Railroad and the plants at New Kensington and Lachine have similar connections with the Pennsylvania Railroad and Canadian National Railways, respectively.

The above plants are owned in fee. Buildings are maintained in good repair and buildings at the Hammond and Lachine plants are in general of modern design for the purpose for which they are used. Most of the buildings at the New Kensington plant, although not of modern design, are suitable for the purposes for which they are used.

The major items of machinery and equipment in the above plants include hydraulic and mechanical presses, heating furnaces and shearing and punching machines. The machinery and equipment is maintained in good condition.

The Company is now proceeding with a plant rehabilitation and expansion program of which the major feature is relocation at Hammond of roof manufacturing facilities now located at New Kensington. Estimated expenditures for this program are divided chiefly as follows: buildings and other fixed installations, \$2,345,000; production equipment and machine tools, \$762,000; miscellaneous equipment, \$80,000; transfer and reinstallation, \$180,000. Toward this estimated total expenditure of \$3,500,000 a cash fund of \$2,500,000 was appropriated on December 31, 1949.

SUBSIDIARY COMPANIES

Subsidiary companies are as follows:

Name	Capital Stock Authorized	Amount Issued	Amount Owned by Applicant
Standard Railway Equipment Company	200 shares of Common Stock, par value \$100 per share	200 shares	200 shares
Standard Railway Equipment Manufacturing Co. (Canada) Limited	140,000 shares Common Stock, without par value	140,000 shares	140,000 shares
Minnetonka Company	400 shares of Common Stock, par value \$100 per share	10 shares	10 shares
New Kensington Company	400 shares of Common Stock, par value \$100 per share	10 shares	10 shares

Standard Railway Equipment Manufacturing Co. (Canada) Limited carries on sales and certain manufacturing activities in Canada. The other subsidiaries are inactive.

To the extent the information is available to the applicant, no corporation, individual, or other entity owns, directly or indirectly, 10% or more of the voting stock of the applicant.

MANAGEMENT

The names and addresses of the directors and executive officers of the Company on the date of this application are as follows:

Name	Address	Office
A. A. Frank.....	310 South Michigan Avenue Chicago 4, Illinois	Chairman of the Board and Director
A. A. Helwig.....	310 South Michigan Avenue Chicago 4, Illinois	Vice Chairman of the Board and Director
R. A. Williams.....	310 South Michigan Avenue Chicago 4, Illinois	President and Director
C. N. Wesley.....	310 South Michigan Avenue Chicago 4, Illinois	Executive Vice President, Treasurer and Director
S. L. Beymer.....	310 South Michigan Avenue Chicago 4, Illinois	Vice President and Director
R. C. Borwell.....	231 South LaSalle Street Chicago 4, Illinois	Director
E. H. McDermott.....	111 West Monroe Street Chicago 3, Illinois	Director

Name	Address	Office
S. H. Conwell.....	4527 Columbia Avenue Hammond, Indiana	Vice President
J. E. Vaughn.....	310 South Michigan Avenue Chicago 4, Illinois	Vice President
G. N. Goad.....	310 South Michigan Avenue Chicago 4, Illinois	Vice President
R. G. Sonquist.....	247 Park Avenue New York 17, N. Y.	Vice President
L. S. Larson.....	310 South Michigan Avenue Chicago 4, Illinois	Secretary and Assistant Treasurer
A. M. Behl.....	310 South Michigan Avenue Chicago 4, Illinois	Assistant Secretary

Mr. A. A. Frank has been Chairman of the Board since 1948, having been employed by the Company or its predecessors since 1913.

Mr. A. A. Helwig has been an executive officer of the Company since 1937. Prior to joining the Company, Mr. Helwig had been President of Peerless Equipment Company.

Mr. R. A. Williams has been President since 1948. Prior to 1948 Mr. Williams was Vice President in charge of sales for American Car and Foundry Company, where he had been employed since 1924.

Mr. C. N. Wesley has been Executive Vice President and Treasurer since 1942. Mr. Wesley entered the employ of a predecessor of the Company in 1905.

Mr. S. L. Beymer has been Vice President since 1948. Mr. Beymer entered the employ of one of the Company's predecessors in 1914.

Mr. L. S. Larson has been Secretary of the Company since 1942. He had been associated with the business since joining a predecessor in 1916.

Messrs. S. H. Conwell, J. E. Vaughn, G. N. Goad and R. G. Sonquist have been associated with the Company's business since 1908, 1923, 1939 and 1940 respectively. Prior to joining the Company, Mr. Goad had been Chief of Car Service for Canadian National Railways and Mr. Sonquist had been sales agent in New York City for American Steel Foundries.

Principal occupations of directors who are not officers are: E. H. McDermott, Partner, McDermott, Will & Emery, attorneys; R. C. Borwell, Marsh & McLennan Incorporated, insurance brokers.

EMPLOYEE RELATIONS

As of April 20, 1951, the Company had approximately 975 employees, approximately 775 of whom were shop employees. Of such employees, approximately 73% of the salaried employees and approximately 50% of the shop employees have been employed for over five years. The Company has union shop contracts with locals of the United Steel Workers of America, C. I. O., covering shop employees at its Hammond, New Kensington and Lachine plants. The contract covering shop employees at the Hammond and New Kensington plants terminates January 31, 1952. The contract in respect of the shop employees at the Lachine plant continues in effect until March 26, 1952 and thereafter from year to year until terminated by either party.

Except for a nation-wide strike in steel and steel fabricating plants, in which shop employees at its Hammond and New Kensington plants participated, in the spring of 1946, the Company has experienced no serious labor disturbances. The last negotiated wage increase for shop employees at the Hammond and New Kensington plants occurred in December, 1950 and for similar employees in Lachine in March, 1951.

Officers and key employees are covered by an Amended Compensation Incentive Plan. This Plan provides for special compensation to be paid in amounts determined by two non-participating directors. Amounts distributed under such Plan may not exceed in any year 6% of Special Compensation Profits nor 15% of the excess of Special Compensation Profits over Minimum Net Profits. Special Compensation Profits for any year are defined to mean the Company's net profits, on a consolidated basis, before deducting the amount distributable as special compensation and Federal, State and Canadian taxes on income. Minimum Net Profits for any year are defined to mean an amount which, after deducting therefrom a provision for Federal income taxes calculated on such amount at the rates of taxes applicable in the particular fiscal year involved, shall leave a remainder equal to all dividends accrued for such fiscal year on Preferred Stock, if any, of the Company outstanding during such fiscal year, plus \$1.00 per share on the average number of shares of Common Stock of the Company outstanding during such fiscal year. No special compensation under the Plan may be paid in respect of any fiscal year unless (a) all dividends on shares of Preferred Stock, if any, of the Company

accrued to the end of such fiscal year shall have been declared and (b) dividends of not less than \$1 per share shall have been declared and paid during such year on the Company's outstanding Common Stock, subject to certain adjustments in the case of shares of Common Stock outstanding during only a portion of such year. The Company has also followed the practice for several years, and intends to continue such practice so long as it is justified by earnings, of paying annual bonuses to all other general office and salaried employees, each of whom during the year ended December 31, 1950 received a bonus, representing, in most cases, 20% of his annual salary.

A Retirement Income Plan, effective December 31, 1944, covers all regular full time employees (including officers) of the Company and its subsidiaries, except that, effective February 27, 1950, there were excluded from this Plan employees who are in bargaining units represented by certain local unions and who are covered by the Pension Plan mentioned in the next succeeding paragraph. The Retirement Income Plan in general provides for the payment to each employee, having at least two years of continuous service, of a monthly retirement income for life (with sixty monthly payments after retirement being guaranteed) equal to 1% of his rate of monthly compensation on December 31, 1944, multiplied by the excess over two of his years of continuous service prior to that date, plus 1½% of his monthly compensation after that date and before his retirement date; provided, however, that the maximum monthly retirement income is \$500. In general, the normal retirement date is age 65. Overtime pay and bonuses are excluded in computing monthly compensation. Except for certain contributions required from employees with monthly compensation in excess of \$291.66, all premiums under this Plan are paid by the Company and its subsidiaries. This Plan has been established under an insurance contract with Bankers Life Company. Premiums paid to the insurance company include not only premiums on account of retirement income benefits but also on account of life insurance benefits. As of May 1, 1951, 10 officers and approximately 248 employees were participants under this Plan. The Company and its subsidiaries have reserved the right to change or discontinue this Plan. This Plan is qualified under Section 165(a) of the Internal Revenue Code.

Effective March 1, 1950, the Company, pursuant to certain labor agreements, established a Pension Plan covering employees who are members of bargaining units represented by certain local unions of United Steel Workers of America, C. I. O. at the Hammond and New Kensington plants of the Company. This Plan in general provides for the payment of retirement pensions to employees who on or after March 1, 1950 reach the age of 65 years and retire and of disability pensions to employees with at least 15 years of continuous service who retire on or after March 1, 1950 due to permanent incapacity resulting from some unavoidable cause. The monthly amount of any pension under this Plan equals 1% of the average monthly earnings of the employee during the 120 calendar months preceding the month of his retirement, multiplied by the number of years of his continuous service, with a minimum pension after age 65 at a rate of \$1,440 per year in the case of an employee having at least 25 years of continuous service (and a proportionately lesser minimum in the case of an employee with less than 25 years of continuous service) and a minimum disability pension prior to age 65 at a rate of \$864 per year; provided, however, that all pensions (including minimum pensions) are to be reduced by the amount of certain public pensions (including pensions under Title II of the Federal Social Security Act). Under this Plan all contributions are made by the Company. The Company has established a Pension Trust in connection with this Plan and at the institution of such Trust, the sum of \$253,297.64 was turned over to the Trustee thereunder. Preliminary estimates, made on the assumptions that present average earnings levels and numbers of employees and present Social Security Act benefits remain constant, indicate that the so-called past service liability for retirement pension benefits under this Plan is approximately \$550,000 (\$253,297.64 of which amount has been funded by the sum turned over to the Trustee at the creation of the Trust) and that current costs (including interest on the presently unfunded amount of such past service liability) for such benefits attributable to current year's service are approximately \$26,000. The Company presently expects to pay such current costs to the Pension Trust each year during the existence of this Plan and may from time to time determine to make additional contributions toward further funding of such past service liability. Disability pension benefits under this Plan may require additional payments by the Company but the Company cannot estimate at this time the amount of any such payments. Subject to the provisions of applicable labor agreements, this Plan is subject to change or discontinuance by the Company. This Plan has qualified under Section 165(a) of the Internal Revenue Code.

The Company also has in effect certain plans providing for health, accident, hospitalization and life insurance for employees including officers.

STOCKHOLDER RELATIONS

Each stockholder of the Company receives an annual report which includes financial statements.

For each meeting of the stockholders the Company sends to each stockholder a notice of meeting, and a form of proxy enabling the stockholder to vote by proxy if he is unable to attend the meeting in person.

Declarations of dividends are given publicity by immediate notice to the press and the financial services and publication of announcements in leading newspapers. Other press releases are made from time to time relating to the Company and its activities.

Correspondence from stockholders of the Company is answered generally by the Executive Vice President or the Secretary of the Company, but special questions relating to stock transfers, dividends, etc. may be referred to the transfer agent for reply.

DIVIDEND RECORD

The Company has paid cash dividends on its Common Stock in the past five years as follows:

	Per Share	Aggregate Payment
1946.....	\$1.00	\$1,250,000
1947.....	2.00	2,770,000
1948.....	1.70	2,354,500
1949.....	1.60	2,216,000
1950.....	1.70	2,354,500

A quarterly dividend of 25¢ per share was paid on March 1, 1951 and another quarterly dividend of 25¢ per share has been declared for payment on June 1, 1951 to stockholders of record on May 18, 1951.

CAPITALIZATION

The Company was organized on September 2, 1926 with an authorized capital of 4,000 Common Shares without par value. Since then the following changes in authorized capital have taken place:

Instrument Effecting Change	Date	Authorized Capital Following Change
Agreement of Merger and Consolidation	9-16-26	10,000 Preferred Shares, par value \$100. 500,000 Common Shares, par value \$10.
Certificate of Amendment.....	11- 3-26	10,000 Preferred Shares, par value \$100. 600,000 Common Shares, par value \$10.
Certificate of Amendment.....	3-12-27	10,000 Preferred Shares, par value \$100. 700,000 Common Shares, par value \$10.
Certificate of Amendment.....	11-18-37	500,000 Redeemable Common Shares, par value \$10. 700,000 Common Shares, par value \$10.
Certificate of Agreement of Merger and Consolidation	9- 1-38	40,000 Redeemable Common Shares, par value \$10. 1,031,000 Common Shares, par value \$10.
Certificate of Amendment.....	10-24-39	45,000 Redeemable Common Shares, par value \$5. 1,500,000 Common Shares, par value \$5.
Certificate of Agreement of Merger.....	10-16-43	1,152,200 Participating Preferred Shares, without par value. 294,300 Common Shares, without par value.
Certificate of Purchase of Preferred Stock	4- 4-44	920,200 Participating Preferred Shares, without par value. 294,300 Common Shares, without par value.
Certificate of Purchase of Preferred Stock	6-19-45	294,300 Common Shares, without par value.
Certificate of Amendment.....	7-24-45	1,250,000 Common Shares, par value \$1.
Certificate of Amendment.....	12-13-46	1,500,000 Common Shares, par value \$1.

Pursuant to authorization of the Board of Directors on April 3, 1947 and May 5, 1947 on May 14, 1947 the Company sold 135,000 unissued Common Shares, par value \$1, for \$1,485,000. The proceeds of such sale, less expenses, were applied toward payment of indebtedness in the amount of \$1,500,000 originally incurred on the reacquisition by the Company in 1945 of its then outstanding participating preferred stock.

OPTIONS, WARRANTS AND RIGHTS

The Company has no commitments which require it to issue any of its securities under the terms of options, purchase warrants, conversion rights or other commitments.

FUNDED DEBT

The Company has no debt which can properly be classified as funded debt. However, it has certain long term commitments in connection with its program for rehabilitation and expansion of plant facilities, including relocation at Hammond of the roof manufacturing facilities now at New Kensington. Contracts for a major part of this program, involving an estimated total expenditure of \$3,500,000, have been executed. \$2,500,000 has already been set aside by the Company to carry out the plant facilities program.

DESCRIPTION OF COMMON STOCK

The capital stock of the Company consists solely of Common Stock, par value \$1 per share. The holders of Common Stock are entitled to such dividends thereon as the Board of Directors in its discretion may declare out of funds available therefor. There are no limitations in any indenture or other agreement on the payment of dividends. The holders of Common Stock have exclusive voting rights, each share of such stock entitling the holder to one vote. There is no provision for cumulative voting. In the event of liquidation of the Company, the holders of Common Stock are entitled to receive pro rata all assets of the Company available for distribution to stockholders. The holders of Common Stock have no preemptive rights to purchase or subscribe for any stock of the Company now or hereafter authorized nor any securities convertible into stock. The Common Stock is not subject to redemption and has no conversion rights. All outstanding shares are fully paid and non-assessable.

LITIGATION

There are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which property of the Company or of any of its subsidiaries is the subject. The Company has no knowledge of any material legal proceedings contemplated by governmental authorities against either the Company or its subsidiaries.

BUSINESS, FINANCIAL AND ACCOUNTING POLICIES

AUDIT PROCEDURE:

The Company's independent public accountants are Touche, Niven, Bailey & Smart who have conducted annual audits for the Company for a number of years. It is expected that the practice of annual audits will continue. Accountants for such purpose will be appointed from time to time by action of the Company's Board of Directors, to which the accountants will report directly, although reports will also be made by them to responsible officers. The accountants have full authority to examine all records of the Company at all times. The accountants do not attend stockholders' meetings.

The Company's chief accounting officer is C. N. Wesley, who is Executive Vice President and Treasurer and also a member of the Board of Directors. Mr. Wesley has been connected with the Company or its predecessor since 1905 and has been Treasurer since 1942. Mr. Wesley's duties are those generally associated with the office of treasurers of corporations.

LEASES:

Leases do not play an important part in the Company's business, being confined to leases of executive office and sales office space. In 1950 rentals aggregated \$41,852.

DEPRECIATION:

Property, plant and equipment have been depreciated on the books of the companies under the straight-line method based upon the following estimated useful lives:

	Parent Company	Canadian Subsidiary
Buildings	33⅓ to 40 years	40 years
Land improvements	20 years	
Railroad sidings	20 years	
Machinery and equipment:		
In use	20 years	*
Not in use (spare)	25 years	
Dies	5 to 8⅓ years	*
Permanent tools and fire protection equipment	10 years	
Furniture and fixtures	15 to 20 years	10 years
Emergency facilities not covered by certificates of necessity	10 years	
* 10% for first 8 years and 2% thereafter.		

It is the policy of the companies to charge the cost of maintenance and repairs to profit and loss.

Additions are charged to property, plant and equipment accounts at cost. These accounts are relieved of the cost of the properties disposed of, and the related accumulated depreciation accounts are charged with the accumulated depreciation to date of disposal. The resulting difference is carried to profit and loss.

AMORTIZATION (other than depreciation) :

The only assets of the applicant subject to amortization (other than depreciation) are patents which are written off over the respective lives of the various patents.

COMMITMENTS :

The applicant, with minor exceptions, makes no future commodity commitments except to cover firm orders.

The applicant has had no bank borrowings for a number of years.

VALUATION OF INVENTORIES :

Inventories of the applicant are stated at the lower of average cost or replacement market. Cost of inventories is determined as follows :

(a) Raw materials and supplies—these represent purchased items and are stated at vendors' billings plus freight inward.

(b) Work in process and finished goods—these are priced on the basis of a job cost system at raw material cost as indicated under (a) above, plus direct labor and manufacturing overhead.

The determination of replacement market applies only to raw materials as production covers firm orders only which are manufactured to customers' specifications.

Intercompany profits in inventories are eliminated in consolidation.

METHOD OF COMPUTING COST OF GOODS SOLD :

As previously indicated, the valuation of the inventories is on the basis of average cost or replacement market. Costs of goods sold are determined on the basis of inventories so established.

CONSOLIDATION :

The consolidated financial statements include the accounts of the parent company, its wholly owned Canadian subsidiary and an inactive subsidiary. Except for two other inactive companies, the consolidated statements include the assets and liabilities of all companies in which the parent has a financial interest.

All companies included in the consolidation employ the same principles of accounting as the applicant.

FINANCIAL STATEMENTS

The Company submits the following financial statements, certified by Touche, Niven, Bailey & Smart, certified public accountants :

- (1) Consolidated Statement of Financial Position, December 31, 1950 and December 31, 1949.
- (2) Consolidated Profit and Loss, for years ending December 31, 1950 and December 31, 1949.
- (3) Notes to Financial Statement, Year 1950.
- (4) Auditor's Report dated February 9, 1951.

Unaudited Summary of Sales and Earnings for the ten years, 1941 to 1950, is submitted as part of the application.

In addition, the Company submits the following unaudited interim financial statements, certified by C. N. Wesley, its Treasurer.

- (1) Consolidated Statement of Financial Position on March 31, 1951.
- (2) Consolidated Statement of Profit and Loss for the three months ended March 31, 1951 and March 31, 1950.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
(A Delaware Corporation)
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NET ASSETS IN WHICH CAPITAL WAS INVESTED

	December 31, 1950	December 31, 1949
CURRENT ASSETS:		
Cash	\$ 4,598,386	\$ 6,031,098
Accounts receivable—trade (an allowance for bad debts is considered unnecessary)	4,388,736	618,667
Refundable portion of Canadian excess profits tax		32,803
Inventories, on the basis of the lower of average cost or market:		
Raw materials and supplies	1,610,604	1,319,842
Work in process and finished goods	599,407	303,150
Prepaid insurance and taxes	79,122	237,436
TOTAL CURRENT ASSETS	<u>\$11,276,255</u>	<u>\$ 8,542,996</u>
LESS CURRENT LIABILITIES:		
Trade accounts payable	\$ 939,601	\$ 353,594
Accrued salaries, wages and bonus	79,288	73,208
Withholdings from employees	127,220	50,089
Accrued taxes:		
State, local and social security	106,550	144,413
Federal, state and Canadian taxes on income, less U. S. Treasury obligations of \$1,298,973 at December 31, 1949, used for payment of 1949 U. S. federal income tax	2,069,425	239,907
TOTAL CURRENT LIABILITIES	<u>\$ 3,322,084</u>	<u>\$ 861,211</u>
NET CURRENT ASSETS	<u>\$ 7,954,171</u>	<u>\$ 7,681,785</u>
MISCELLANEOUS INVESTMENTS AND ADVANCES, at cost	<u>\$ 6,379</u>	<u>\$ 11,521</u>
PROPERTY, PLANT AND EQUIPMENT, at cost, less depreciation:		
Land	\$ 126,039	\$ 126,039
Buildings	1,324,764	1,293,391
Machinery and equipment	2,237,460	2,183,888
Uncompleted additions	49,204	10,875
	<u>\$ 3,737,467</u>	<u>\$ 3,614,193</u>
Less accumulated depreciation	1,731,787	1,630,694
	<u>\$ 2,005,680</u>	<u>\$ 1,983,499</u>
CASH APPROPRIATED FOR REHABILITATION AND EXPANSION OF FACILITIES	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
PATENTS AND PATENT APPLICATIONS, at cost, less amortization	<u>\$ 216,748</u>	<u>\$ 251,253</u>
NET ASSETS	<u><u>\$12,682,978</u></u>	<u><u>\$12,428,058</u></u>

SOURCES FROM WHICH CAPITAL WAS OBTAINED

	December 31, 1950	December 31, 1949
COMMON STOCK, \$1.00 par value:		
Authorized.....1,500,000 shares.		
Issued and outstanding 1,385,000 shares	<u>\$ 1,385,000</u>	<u>\$ 1,385,000</u>
PAID-IN SURPLUS, being the excess of net proceeds from issue of capital stock over the par value thereof	<u>\$ 1,337,873</u>	<u>\$ 1,337,873</u>
CAPITAL SURPLUS, AND EARNED SURPLUS PRIOR TO JANUARY 1, 1943:		
Balance at January 1, 1949, as previously reported		\$ 3,292,620
Additional federal and state taxes for years prior to January 1, 1943		5,093
Balance at January 1, 1949, as adjusted (no other changes to December 31, 1950)	<u>\$ 3,287,527</u>	<u>\$ 3,287,527</u>
EARNED SURPLUS SINCE DECEMBER 31, 1942:		
Balance at January 1, 1949, as previously reported		\$ 6,147,137
Additional federal and state taxes for years 1943 through 1948		180,668
Balance at January 1, as adjusted	\$ 6,417,658	\$ 6,327,805
Net profit for the year	2,609,420	2,305,853
	<u>\$ 9,027,078</u>	<u>\$ 8,633,658</u>
Dividends paid in cash—\$1.70 per share in 1950 and \$1.60 per share in 1949	2,354,500	2,216,000
Balance at December 31	<u>\$ 6,672,578</u>	<u>\$ 6,417,658</u>
TOTAL CAPITAL	<u><u>\$12,682,978</u></u>	<u><u>\$12,428,058</u></u>

See notes to consolidated financial statements.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS

	Year Ended December 31, 1950	Year Ended December 31, 1949
NET SALES	\$19,447,461	\$17,293,914
COST OF PRODUCTS SOLD.....	13,091,124	11,583,305
	\$ 6,356,337	\$ 5,710,609
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	1,756,567	1,687,975
	\$ 4,599,770	\$ 4,022,634
OTHER INCOME	25,189	66,254
	\$ 4,624,959	\$ 4,088,888
GAIN (LOSS*) ON REVALUATION OF CANADIAN CURRENCY.....	31,498	121,097*
PROFIT BEFORE TAXES ON INCOME.....	\$ 4,656,457	\$ 3,967,791
PROVISION FOR TAXES ON INCOME:		
United States federal normal and surtax.....	\$ 1,820,000	\$ 1,185,644
United States federal excess profits.....	40,000	
State	36,000	32,000
Canadian dominion and provincial.....	151,037	444,294
	\$ 2,047,037	\$ 1,661,938
NET PROFIT	\$ 2,609,420	\$ 2,305,853

See notes to consolidated financial statements.

The above profit and loss statement includes charges for depreciation of plant and equipment amounting to \$211,146 and \$203,417 for the years 1950 and 1949, respectively.

NOTES TO FINANCIAL STATEMENT, YEARS 1950 AND 1949

NOTE A—CONSOLIDATED CANADIAN SUBSIDIARY:

Net current assets of the Canadian subsidiary at December 31, 1950, have been converted to United States currency at the free rate of exchange prevailing at that date; at December 31, 1949 the official rate then prevailing was used. Other assets of the Canadian subsidiary at December 31, 1950, have been converted at par. Operations have been converted at applicable rates.

Consolidated net profit includes that of the Canadian subsidiary, expressed in United States currency, of \$230,082 for 1950 and \$529,881 for 1949.

Net current assets and net assets (total assets less liabilities) of the Canadian subsidiary amounted to \$705,628 and \$985,610, respectively, at December 31, 1950, and \$1,096,343 and \$1,336,385, respectively, at December 31, 1949.

NOTE B—FEDERAL AND CANADIAN TAXES ON INCOME:

Federal income and excess profits tax returns of the Company have been examined through the year 1948, and provision has been made in the accounts for the adjustments to taxes resulting therefrom. Canadian income tax returns have been settled through the year 1949.

NOTE C—COMMITMENTS:

The Company has entered into contracts and commitments for the construction of new plant facilities aggregating approximately \$1,500,000 to February 9, 1951. Payment of construction costs is to be made from cash appropriated for rehabilitation and expansion of facilities.

NOTE D—PENSION PLANS:

Under the terms of its labor agreements with United Steel Workers of America, C. I. O., effective March 1, 1950, the Company is obligated to provide pensions for its employees who are members of this union. An initial contribution of \$253,297 to the Pension Trust under the Plan has been made, and this amount is estimated to be more than adequate to meet the retirement pension requirements of employees retiring prior to November 30, 1954, the expiration date of such labor agreements.

All past service costs for the retirement income and insurance plan applicable to all regular full time salaried employees (including officers) of the Company and its subsidiaries have been paid.

NOTE E—ADJUSTMENT OF 1949 NET PROFIT:

The net profit reported for 1949 on the comparative statement of profit and loss differs from that previously reported due to adjustments of state income and franchise taxes. These adjustments are now reflected in 1949 net profit in order to conform with the profit and loss statement forming part of the prospectus and registration statement issued on October 17, 1950.

AUDITORS' REPORT

*Board of Directors,
Standard Railway Equipment Manufacturing Company,
Chicago, Illinois.*

We have examined the consolidated statement of financial position of Standard Railway Equipment Manufacturing Company and its subsidiary companies as of December 31, 1950, and as of December 31, 1949, and the related statements of profit and loss and surplus for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Standard Railway Equipment Manufacturing Company and its subsidiary companies at December 31, 1950, and at December 31, 1949, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN, BAILEY & SMART
Certified Public Accountants

Chicago 4, Ill.
February 9, 1951

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
(A Delaware Corporation)
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NET ASSETS IN WHICH CAPITAL WAS INVESTED	March 31, 1951	March 31, 1950
CURRENT ASSETS:		
Cash	\$ 2,331,268.87	\$ 4,023,763.92
U. S. Treasury bills, at cost.....	498,140.00	747,907.50
Accounts receivable:		
Trade (an allowance for bad debts is considered unnecessary).....	6,407,348.87	1,621,205.35
Refundable portion of Canadian excess profits tax.....		32,803.62
Inventories, at cost:		
Raw materials and supplies.....	3,174,170.07	1,387,095.39
Work in process and finished goods.....	746,828.53	560,880.43
Prepaid insurance and taxes.....	112,919.92	206,337.67
TOTAL CURRENT ASSETS	\$13,270,676.26	\$ 8,579,993.88
LESS CURRENT LIABILITIES:		
Trade accounts payable.....	\$ 2,052,940.73	\$ 687,584.47
Accrued salaries and wages.....	278,781.64	208,754.68
Withholdings from employees.....	50,469.09	18,064.33
Accrued taxes:		
State, local and social security.....	60,332.21	33,532.42
Federal, state and Canadian taxes on income, less U. S. Treasury obligations of \$999,019.49 (1950) to be used for payment of U. S. federal income tax.....	2,453,349.10	151,669.48
TOTAL CURRENT LIABILITIES	\$ 4,895,872.77	\$ 1,099,605.38
NET CURRENT ASSETS	\$ 8,374,803.49	\$ 7,480,388.50
MISCELLANEOUS INVESTMENTS AND ADVANCES, at cost.....	\$ 5,572.57	\$ 12,064.82
PROPERTY, PLANT AND EQUIPMENT, at cost, less depreciation:		
Land	\$ 126,038.87	\$ 126,038.87
Buildings	1,325,145.52	1,293,391.33
Machinery and equipment.....	2,250,430.27	2,189,224.32
Uncompleted additions	124,559.17	27,017.39
	\$ 3,826,173.83	\$ 3,635,671.91
Less accumulated depreciation.....	1,785,240.39	1,682,076.15
	\$ 2,040,933.44	\$ 1,953,595.76
CASH APPROPRIATED FOR REHABILITATION AND EXPANSION OF FACILITIES	\$ 2,500,000.00	\$ 2,500,000.00
PATENTS AND PATENT APPLICATIONS, at cost, less amortization....	\$ 207,787.49	\$ 242,096.40
	\$13,129,096.99	\$12,188,145.48
SOURCES FROM WHICH CAPITAL WAS OBTAINED	March 31, 1951	March 31, 1950
COMMON STOCK:		
Authorized 1,500,000 shares		
Issued and outstanding 1,385,000 shares.....	\$ 1,385,000.00	\$ 1,385,000.00
PAID-IN SURPLUS, being the excess of net proceeds from issue of capital stock over the par value thereof.....	\$ 1,337,872.55	\$ 1,337,872.55
CAPITAL SURPLUS, AND EARNED SURPLUS PRIOR TO JANUARY 1, 1943--no change during period.....	\$ 3,287,527.20	\$ 3,294,494.84
EARNED SURPLUS SINCE DECEMBER 31, 1942:		
Balance at January 1.....	\$ 6,672,578.14	\$ 6,458,976.29
Net profit for three months ended March 31.....	792,369.10	58,051.80
	\$ 7,464,947.24	\$ 6,517,028.09
Dividends paid in cash--\$.25 per share.....	346,250.00	346,250.00
Balance at March 31.....	\$ 7,118,697.24	\$ 6,170,778.09
	\$13,129,096.99	\$12,188,145.48

Canadian net current assets have been converted at the official rate of exchange.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY
AND SUBSIDIARY COMPANIESCONSOLIDATED PROFIT AND LOSS FOR THE THREE MONTHS ENDED
MARCH 31, 1951 AND 1950

	Three Months Ended	
	1951	1950
NET SALES	\$7,631,903.75	\$1,942,218.52
COST OF PRODUCTS SOLD.....	5,260,881.76	1,394,093.76
	\$2,371,021.99	\$ 548,124.76
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....	558,647.13	462,154.66
	\$1,812,374.86	\$ 85,970.10
OTHER INCOME	11,314.55	15,353.19
PROFIT BEFORE TAXES ON INCOME.....	\$1,823,689.41	\$ 101,323.29
PROVISION FOR TAXES ON INCOME:		
Federal normal and surtax.....	\$ 721,000.00	\$ 42,000.00
Federal excess profits tax.....	161,000.00	
State	13,500.00	1,000.00
Canadian—dominion and provincial.....	135,820.31	271.49
	\$1,031,320.31	\$ 43,271.49
NET PROFIT	\$ 792,369.10	\$ 58,051.80
Net profit per share.....	\$.572	\$.042

NOTE: The provision for federal excess profits tax for the three months ended March 31, 1951, amounts to \$.116 per share.

The above profit and loss statement includes charges for depreciation of plant and equipment amounting to \$47,217.06 for the three months ended March 31, 1951.

TREASURER'S CERTIFICATE

I hereby certify that the attached Statement of Financial Position and Profit and Loss present fairly the consolidated position of Standard Railway Equipment Manufacturing Company and its consolidated subsidiaries at March 31, 1951, and the consolidated results of their operations for the first three months of 1951 and 1950 in conformity with general accounting principles applied on a basis consistent with that of the preceding year.

C. N. WESLEY,
Treasurer.

May 8, 1951.

SUMMARY OF SALES AND EARNINGS

The present properties and business of the Company and its active subsidiary represent a number of railway equipment properties which were under common control. Due to the fact that these properties were operated as a single business enterprise for a number of years, their operations have been consolidated and/or combined (after the elimination of intercompany transactions) to show the results of the operations of the companies and their predecessors as though they had been a single enterprise.

The operations of the Canadian subsidiary have been converted at official rates of exchange from time to time prevailing.

Year	Net Sales	Cost of Products Sold	Profit Before Taxes on Income	Federal, State and Canadian Taxes on Income	Net Profit	Annual Earnings per Share (1)
1940.....	\$15,190,822	\$ 8,757,031	\$4,539,850	\$1,682,021	\$2,857,829	\$2.06
1941.....	20,994,786	12,062,680	7,071,809	4,038,500	3,033,309	2.19
1942.....	13,417,349	8,301,026	3,114,141	1,772,347	1,341,794	.97
1943.....	9,373,148	6,263,562	1,767,953	8,776	1,759,177	1.27
1944.....	19,217,713	13,589,467	3,793,862	2,295,658	1,498,204(2)	1.08
1945.....	15,365,081	10,254,314	3,315,333	1,361,619	1,953,714	1.41
1946.....	13,613,459	8,834,432	2,716,583	910,430	1,806,153(3)	1.30
1947.....	23,436,608	14,765,427	6,632,405	2,659,580	3,972,825	2.87
1948.....	24,359,575	16,301,779	6,017,219	2,371,182	3,646,037	2.63
1949.....	17,293,914	11,583,304	3,967,791	1,661,937	2,305,854(3)	1.66
1950.....	19,447,461	13,091,124	4,656,457	2,047,037	2,609,420	1.88

NOTES:

(1) Based on 1,385,000 shares of Common Stock now outstanding.

(2) As the result of dividend payments in 1944 of substantially all the profits of the Canadian subsidiary from 1939 to 1944, inclusive, resulting in taxable income to the U. S. parent, net profit for 1944 was charged \$208,002 representing U. S. federal income and excess profits taxes on Canadian profits earned during the period from 1939 to 1943, inclusive.

(3) Net profit for 1946 includes foreign exchange credit of \$149,982 arising in consolidation and net profit for 1949 is after deduction of foreign exchange devaluation loss of \$121,096.

AGREEMENTS

In consideration of the premises, the undersigned hereby agrees with the Midwest Stock Exchange as follows:

(1) To notify the Exchange promptly of any change in the general character or nature of its business.

(2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.

(3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.

(4) To mail (with the notice of the annual meeting or prior to the giving of such notice) to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.

(5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues

as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.

(6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.

(7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.

(8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.

(9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the Company.

GENERAL INFORMATION

The Company's fiscal year ends on December 31.

The principal executive office of the Company is at 310 South Michigan Avenue, Chicago 4, Illinois.

The statutory address of the Company is Wilmington, Delaware.

The Annual Meeting of the Stockholders is held at 310 South Michigan Avenue, Chicago, Illinois, on the third Monday in March in each year, or if said day be a legal holiday then on the next secular day, at two o'clock P. M.

A majority of the outstanding stock constitutes a quorum for a stockholders' meeting, except as otherwise provided by law.

The Transfer Agents for the Company's Common Stock are Continental Illinois National Bank and Trust Company of Chicago and Guaranty Trust Company of New York, and the Registrars for such stock are Chicago Title and Trust Company and The Marine Midland Trust Company of New York.

STANDARD RAILWAY EQUIPMENT MANUFACTURING COMPANY

By C. N. WESLEY
Vice President

The Parker Pen Company

(A Wisconsin Corporation)

Class A Common Stock

(Par Value \$2.00 Per Share)

Class B Common Stock

(Par Value \$2.00 Per Share)

Prepared by the Company

for

Midwest Stock Exchange

THE LIBRARY OF THE

JUL 30 1951

UNIVERSITY OF ILLINOIS

The Parker Pen Company has made application to Midwest Stock Exchange to list 1,000,000 shares of common stock (par value \$2 per share), upon approval and filing of an amendment to the Articles of Incorporation providing for the reclassification of its 400,000 outstanding shares of Common Stock, par value \$5 per share, into 500,000 shares of Class A Common Stock having full voting rights and 500,000 shares of Class B Common Stock without voting rights. Said application was approved by the Executive Committee of Midwest Stock Exchange on July 17, 1951.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

The Parker Pen Company

(A Wisconsin Corporation)

Class A Common Stock

(Par Value \$2.00 Per Share)

Class B Common Stock

(Par Value \$2.00 Per Share)

Reference is made to the application of The Parker Pen Company (hereinafter referred to as the "Company") to list on The Chicago Stock Exchange (now Midwest Stock Exchange) 400,000 shares of its Common Stock, \$5.00 par value per share, approved by the Governing Committee of such Exchange on February 16, 1946 (Circular No. 1744).

With the approval of the stockholders given at a meeting held on July 26, 1951, the Articles of Incorporation of the Company were amended on July 27, 1951, to increase the authorized Common Stock from 400,000 shares, par value \$5.00 per share, to 500,000 shares Class A Common Stock with full voting rights and 500,000 shares Class B Common Stock without voting rights, both with par value of \$2.00 per share, and to change the 400,000 outstanding shares of said \$5.00 par value Common Stock into 500,000 outstanding shares of said \$2.00 par value Class A Common Stock and 500,000 outstanding shares of said \$2.00 par value Class B Common Stock.

The Company has made application and supplementary application to list on the Midwest Stock Exchange the said 500,000 shares of \$2.00 par value Class A Common Stock and the said 500,000 shares of \$2.00 par value Class B Common Stock outstanding after the filing of said amendment to the Articles of Incorporation, in substitution for the previously outstanding shares of Common Stock, par value \$5.00 per share. These applications were approved by the Executive Committee of the Exchange on July 17, 1951.

CAPITALIZATION

The capital stock authorized and outstanding after the filing of the amendment to the Articles of Incorporation is as follows:

<u>Title of Issue</u>	<u>Authorized</u>	<u>Issued and Outstanding</u>
Class A Common Stock (par value \$2.00).....	500,000	500,000*
Class B Common Stock (par value \$2.00).....	500,000	500,000*

*Includes 34,500 shares in the Company's Treasury.

PURPOSE OF ISSUE

The amendment to the Articles of Incorporation referred to above was approved by the stockholders at a special meeting held on July 26, 1951. Said amendment to the Articles of Incorporation was filed in the office of the Secretary of State of Wisconsin and became effective on July 27, 1951. The amendment changed the authorized capital of the Company to Class A Common Stock with full voting rights and Class B Common Stock without voting rights. The amendment did not alter any rights of the shareholders of the Company except that as a result of the increase in the number of shares, the reduction in the par value per share provided for therein and the classification of the stock into voting and nonvoting stock, each holder of Common Stock now owns $1\frac{1}{4}$ shares of the said Class A Common Stock and $1\frac{1}{4}$ shares of the said Class B Common Stock for each share of the \$5.00 par value Common Stock held of record as at the close of business on July 1, 1951. Notice will be mailed to each stockholder of record on that date advising him of such amendment and of the right of each stockholder to exchange one share of \$5.00 par value Common Stock for $1\frac{1}{4}$ shares of said Class A Common Stock and $1\frac{1}{4}$ shares of said Class B Common Stock and Scrip Certificates representing fractional shares to which he is entitled, if any, and requesting him to send into The First National Bank of Chicago, the transfer agent of the Company, his stock certificates evidencing the \$5.00 par value Common Stock for certificates in temporary form exchangeable for definitive certificates when the latter certificates are available evidencing the said Class A Common Stock and the said Class B Common Stock.

OPINION OF COUNSEL

The validity of 500,000 shares of \$2.00 par value Class A Common Stock with full voting rights and 500,000 shares of \$2.00 par value Class B Common Stock without voting rights has been passed upon and approved by Messrs. Jeffris, Mouat, Oestreich, Wood and Cunningham, Janesville, Wisconsin, who have given their opinion that such shares are validly issued, fully paid and non-assessable.

Chicago

INTERSTATE POWER COMPANY

\$20,000,000 Principal Amount of First Mortgage Bonds,
3 $\frac{3}{4}$ % Series Due 1978

\$3,000,000 Principal Amount of First Mortgage Bonds,
3% Series Due 1980

2,075,000 Shares Common Stock
(Par Value \$3.50 per share)

Prepared by the Corporation

for

MIDWEST STOCK EXCHANGE

This application was approved by the
Executive Committee of the Midwest
Stock Exchange on October 2, 1951.

THE LIBRARY OF THE

DEC 19 1951

UNIVERSITY OF ILLINOIS

THIS CIRCULAR WAS PREPARED BY THE CORPORATION FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS HEREIN CONTAINED.



INTERSTATE POWER COMPANY

FIRST MORTGAGE BONDS, 3¾% SERIES DUE 1978

FIRST MORTGAGE BONDS, 3% SERIES DUE 1980

COMMON STOCK

(Par Value \$3.50)

Dubuque, Iowa

October 1, 1951

INTERSTATE POWER COMPANY, a Delaware corporation (hereinafter sometimes referred to as the "Company"), hereby applies for the listing on the Midwest Stock Exchange of

\$20,000,000 principal amount of its First Mortgage Bonds, 3¾% Series Due 1978 (hereinafter sometimes referred to as the "3¾% Bonds"), constituting all of the bonds of said series which are outstanding;

\$ 3,000,000 principal amount of its First Mortgage Bonds, 3% Series Due 1980 (hereinafter sometimes referred to as the "3% Bonds"), constituting all of the bonds of said series which are outstanding; and

2,075,000 shares of its Common Stock of the par value of \$3.50 per share (hereinafter sometimes referred to as the "Common Stock"), all of which shares are issued and outstanding.

OPINION OF COUNSEL

A legal opinion of Messrs. Springer, Bergstrom and Crowe, 327 South LaSalle Street, Chicago, Illinois, Counsel for the Company, which has been filed with the Midwest Stock Exchange, states, in effect, that: the Company is a corporation duly and legally organized and existing in good standing under the laws of the State of Delaware; all necessary corporate and governmental authorizations have been given for the issuance of the 3¾% Bonds, 3% Bonds and the Common Stock; the 3¾% Bonds and 3% Bonds have been duly and legally issued and constitute the binding and legal obligations of the Company; and the Common Stock has been duly and legally issued and is valid, fully paid and non-assessable, and no personal liability attaches to the holders of such Common Stock under the laws of the State of Delaware, the State of the Company's incorporation, or under the laws of the State of Iowa, the State of the Company's principal place of business.

STATUS UNDER FEDERAL ACTS

SECURITIES ACT OF 1933

The 3¾% Bonds and 1,500,000 shares of the Common Stock were issued on March 31, 1948 in accordance with the terms of the Company's Plan of Reorganization dated as of August 15, 1945, as amended as of October 15, 1947 pursuant to Section 11(e) of the Public Utility Holding Company Act of 1935. This Plan, as amended, was approved by the Securities and Exchange Commissions (hereinafter sometimes referred to as the "Commission") on December 24, 1947. On January 7, 1948 the District Court of the United States for the District of Delaware ordered its enforcement. The entire \$20,000,000 of 3¾% Bonds so issued were sold for cash pursuant to a public offering. Of the total of 1,500,000 shares of Common Stock so issued pursuant to the Plan of Reorganization, 555,039 shares were sold for cash pursuant to a public offering and the remaining 944,961 shares were deposited with Chemical Bank & Trust Company as Escrow Agent under the terms of an Escrow designated as Escrow No. 2 for the benefit of holders of certain former securities of the Company as their respective interests might be subsequently determined.

Additional public offerings of Common Stock were made as follows: 300,000 additional shares were sold on November 7, 1949; and 275,000 additional shares were sold on June 6, 1950.

An Adjusted Compromise Plan which provided, among other things, for the distribution of the 944,961 shares of Common Stock of the Company held in said Escrow No. 2 was approved by the Commission on February 20, 1951, and on March 16, 1951 the District Court of the United States for the District of Delaware ordered the enforcement of said Adjusted Compromise Plan. Persons entitled to participate in the distribution of said escrowed shares were given the right to receive distribution thereof as of April 16, 1951. The Company is advised that as of September 17, 1951, 82,877 shares of the escrowed common stock still remained undistributed in the escrow.

The entire \$3,000,000 of 3% Bonds were sold for cash pursuant to a public offering on June 6, 1950.

The entire \$20,000,000 of 3¾% Bonds, the entire \$3,000,000 of 3% Bonds and the entire 2,075,000 shares of Common Stock for which listing is requested have been registered under the Securities Act of 1933.

SECURITIES EXCHANGE ACT OF 1934

Concurrently herewith the Company is filing Form 10 for the registration, under the Securities Exchange Act of 1934, of the 3¾% Bonds, the 3% Bonds and the Common Stock on the New York Stock Exchange and on the Midwest Stock Exchange.

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

The Company is registered as a holding company under and pursuant to the provisions of Section 5(a) of the Public Utility Holding Company Act of 1935.

FEDERAL POWER ACT

The Company is subject to regulation by the Federal Power Commission under Part II of the Federal Power Act, as amended, insofar as it owns or operates facilities for the transmission and sale of electric energy at wholesale in interstate commerce.

NATURAL GAS ACT

On April 4, 1951 the Federal Power Commission issued to the Company a certificate of public convenience and necessity under the provisions of the Natural Gas Act for the construction of a natural gas transmission line to connect with the line owned by Natural Gas Pipeline Company of America at a point near Hooppole, Illinois, and to extend to Clinton, Iowa. When and if such line is acquired and operated by the Company it will become subject to regulation by the Federal Power Commission to the extent provided under the Natural Gas Act.

TRUST INDENTURE ACT OF 1939

The Indenture and First Supplemental Indenture, each dated as of January 1, 1948, between the Company and The Chase National Bank of the City of New York and Carl E. Buckley, as Trustees, under which the 3¾% Bonds were issued, were qualified under the Trust Indenture Act of 1939 by order of the Commission dated March 23, 1948.

The Third Supplemental Indenture dated as of January 1, 1950, between the Company and The Chase National Bank of the City of New York and Carl E. Buckley, as Trustees, under which the 3% Bonds were issued was qualified under the Trust Indenture Act of 1939 by order of the Commission dated May 16, 1950.

HISTORY AND BUSINESS

Interstate Power Company, the principal office of which is located at 1000 Main Street, Dubuque, Iowa, was incorporated under the laws of the State of Delaware on April 18, 1925. It was organized with a perpetual charter as a combination operating and holding company to acquire the properties of Interstate Power Company, a Wisconsin corporation. This latter company was incorporated under the laws of Wisconsin on October 21, 1918 and at the time of its organization acquired the property and assets of Mid-Continental Utilities, a Wisconsin corporation, Fayette County Utilities, an Iowa corporation, and Interstate Power Company, a West Virginia corporation. During 1924 said company acquired the property and assets of the following companies: Southern Minnesota Gas and Electric Company; Soldiers' Grove Electric Company; Gay's Mills Electric Light Company; Austin Gas Company; Madelia Electric Company; North Central Utilities Company; Bloomington Electric Light & Power Company; and Prairie City Electric Company. In October, 1924 said company acquired a controlling stock interest in Dubuque Electric Company. During April, 1925, said company was reorganized by the transfer of its Wisconsin properties to Interstate Power Company of Wisconsin, a Wisconsin corporation, (which is presently a wholly-owned subsidiary of the Company) and the transfer of its remaining properties, namely those in Iowa and Minnesota, to the present Company, also having the name Interstate Power Company, which, as above stated, was organized under the laws of Delaware on April 18, 1925. Shortly thereafter the Company acquired all of the properties and franchises of Clinton Gas and Electric Company.

On March 31, 1948 the Company, as hereinabove indicated, consummated its Plan of Reorganization pursuant to Section 11(e) of the Public Utility Holding Company Act of 1935. Pursuant to said Plan the entire capital structure of the Company was on that date replaced by the issuance of new bonds, new debentures and new common stock. Reference is made to said Plan for the details thereof.

At the present time the Company is primarily an operating public utility company. It is also a registered public utility holding company by reason of its ownership of all the shares of voting stock of Interstate Power Company of Wisconsin and East Dubuque Electric Company.

The Company is engaged as a public utility company principally in the generation, purchase, transmission, sale and distribution of electricity. It owns property in portions of twenty-one counties in the northern and northeastern part of Iowa, in portions of twenty-eight counties in the southern part of Minnesota and in a portion of one county in South Dakota. It is also engaged in the manufacture, sale and distribution of manufactured gas in the City of Clinton, Iowa; in the sale and distribution of natural gas in the City of Albert Lea, Minnesota; in the operation of buses in the City of Dubuque, Iowa; and in the furnishing of steam heating service in the City of Albert Lea, Minnesota. As an incident to its utility business and as a means of promoting residential sales, the Company and its subsidiaries sell electric and gas appliances, but such sales are of minor importance.

Its subsidiary, Interstate Power Company of Wisconsin, is engaged as a public utility in the generation, purchase, transmission, sale and distribution of electricity in three counties in the extreme southwestern part of Wisconsin. It is integrated with and is an integral part of the Company's system. East Dubuque Electric Company, another subsidiary, is engaged as a public utility in the purchase, transmission, sale and distribution of electricity in and around the City of East Dubuque, Illinois, and in the operation of buses in said City. East Dubuque, Illinois, is located directly across the Mississippi River from Dubuque, Iowa, and the two cities are connected by a modern bridge constructed in 1942.

The principal activities in the territory served by the Company are (1) agriculture and farming, including the raising of corn, wheat, oats, alfalfa, peas, soy beans, poultry, cattle and hogs; (2) dairy farming; (3) packing, freezing, canning and processing operations, such as flour mills, feed mills, canneries, creameries, cheese factories, packing plants and frozen food locker plants; and (4) manufacture of furniture, tractors, cellophane, corn products, steel and wood products, and wood millwork.

The Company and its subsidiaries supply retail electric service in 256 communities (59 unincorporated) and to more than 11,800 rural customers; gas service in 2 communities; steam heating service in 1 community, and bus transportation service in 2 communities, serving in excess of 98,400 electric customers and in excess of 12,000 gas customers, and last year carrying over 6,900,000 passengers in buses. In addition the Company sells electricity wholesale to 15 small towns which have municipal distribution systems.

Of the 256 communities served with retail electricity, 226, or 88% thereof, are of less than 1,000 population; two towns, Dubuque and Clinton, Iowa, have over 20,000 and less than 55,000 population; three towns, Albert Lea, Minnesota, Oelwein and Decorah, Iowa, have over 5,000 and less than 20,000 population; 6 towns have from 2,000 to 5,000 population; 5 towns have from 1,500 to 2,000 population; and 14 towns have from 1,000 to 1,500 population.

The territory served by the Company and its subsidiaries is estimated to have a population served at retail with electricity of 287,616.

The following table sets forth certain statistics relating to the business of the Company and its subsidiaries on a consolidated basis, for the five years ended December 31, 1950, and for the twelve months ended June 30, 1951.

OPERATING STATISTICS

	Year Ended December 31					Twelve Months Ended June 30, 1951
	1946	1947	1948	1949	1950	
Electric Energy Generated, Purchased and Sold: (Kilowatt-hours)						
Generated, Net Station Output:						
Steam	266,909,349	326,808,545	377,905,046	419,735,482	457,641,589	487,290,683
Hydro	15,109,223	16,128,433	8,993,274	7,074,312	5,409,142	6,518,192
Internal Combustion	2,220,611	1,647,099	5,678,513	3,654,045	961,125	667,170
Total Generated	284,239,183	344,584,077	392,576,833	430,463,839	464,011,856	494,476,045
Purchased	46,046,250	54,630,298	65,426,078	57,483,292	65,530,696	62,988,366
Total Generated and Purchased.....	330,285,433	399,214,375	458,002,911	487,947,131	529,542,552	557,464,411
Company Use, Losses and Unaccounted For..	53,272,043	69,806,551	76,751,307	76,906,385	83,450,717	79,339,371
Total Electric Energy Sold.....	277,013,390	329,407,824	381,251,604	411,040,746	446,091,835	478,125,040
Electric Sales (Kilowatt-hours):						
Residential	67,615,237	76,114,407	90,673,824	105,147,533	119,864,903	129,042,275
Rural	16,651,518	21,667,957	27,584,537	33,817,233	38,954,890	42,276,621
Commercial	64,215,724	70,726,146	77,535,172	85,068,001	90,463,692	93,069,161
Industrial	71,759,160	85,300,443	94,222,382	85,257,257	87,892,294	101,859,937
Street Lighting	6,066,285	6,132,674	6,583,413	7,022,105	7,551,015	7,952,512
Other Electric Utilities	41,958,355	60,044,219	74,166,967	84,029,874	90,201,482	91,963,173
Miscellaneous (Including Municipal Power)	8,747,111	9,421,978	10,485,309	10,698,743	11,163,559	11,961,361
Total Electric Sales	277,013,390	329,407,824	381,251,604	411,040,746	446,091,835	478,125,040
Gas Manufactured, Purchased and Sold: (Thousand cubic feet)						
Manufactured	232,399	250,252	249,253	231,063	239,243	241,019
Purchased—Natural	958,502	907,375	840,653	992,435	1,136,745	1,231,951
Total Manufactured and Purchased....	1,190,901	1,157,627	1,089,906	1,223,498	1,375,988	1,472,970
Company Use, Losses and Unaccounted For..	59,012	59,810	44,164	53,200	73,765	74,281
Total Gas Sold.....	1,131,889	1,097,817	1,045,742	1,170,298	1,302,223	1,398,689
Gas Sales (Thousand cubic feet):						
Residential	460,196	487,063	512,430	552,985	725,181	794,155
Commercial	148,484	132,561	131,845	138,434	148,160	151,220
Industrial and Other	523,209	478,193	401,467	478,879	428,882	453,315
Total Gas Sales	1,131,889	1,097,817	1,045,742	1,170,298	1,302,223	1,398,690
Customers Connected: (At end of Period)						
Electric	89,431	88,539	92,007	94,054	97,099	98,466
Gas	11,110	11,396	11,534	11,644	11,959	12,058
Steam Heating	218	223	222	226	219	219
Total Customers	100,759	100,158	103,763	105,924	109,277	110,743
Operating Revenue:						
Electric:						
Residential	\$ 2,589,455	\$ 2,744,320	\$ 3,074,225	\$ 3,505,948	\$ 3,925,699	\$ 4,137,351
Rural	902,957	1,056,398	1,209,926	1,480,308	1,704,705	1,803,225
Commercial	2,425,068	2,593,966	2,813,923	3,186,521	3,445,981	3,552,664
Industrial	955,163	1,177,820	1,383,840	1,332,771	1,364,703	1,535,711
Street Lighting	263,939	255,021	263,187	276,803	288,507	295,164
Other Electric Utilities	631,908	864,031	1,043,196	1,173,308	1,237,463	1,252,690
Miscellaneous (Including Municipal Power)	267,742	293,706	344,894	465,388	491,268	382,853
Total Electric	\$ 8,036,232	\$ 8,985,262	\$10,133,191	\$11,421,047	\$12,458,326	\$12,959,658
Gas:						
Residential	\$ 420,849	\$ 405,033	\$ 424,513	\$ 469,979	\$ 551,227	\$ 584,878
Commercial	76,095	71,749	75,313	86,233	90,775	90,273
Industrial and Other	128,429	116,684	105,206	118,436	126,598	142,270
Total Gas	\$ 625,373	\$ 593,466	\$ 605,032	\$ 674,648	\$ 768,600	\$ 817,421
Steam Heating	\$ 50,392	\$ 60,705	\$ 58,163	\$ 65,285	\$ 76,481	\$ 80,782
Bus	\$ 435,170	\$ 462,356	\$ 474,209	\$ 477,232	\$ 470,127	\$ 509,154
Total Operating Revenue	\$ 9,147,167	\$10,101,789	\$11,270,595	\$12,638,212	\$13,773,534	\$14,367,015
Average kilowatt hours sold per Residential Customer	1,102	1,252	1,439	1,621	1,802	1,911
Average revenue per kilowatt hour—Residential Customers—Cents	3.83	3.61	3.39	3.33	3.28	3.21

Operating revenues of the Company and its subsidiaries for the twelve months ended June 30, 1951, came from the following sources: Electric 90.2%; Gas 5.7%; Bus 3.5%; and Steam Heating .6%.

PROPERTY DESCRIPTION

PROPERTIES OF THE COMPANY

Electric Properties

As of June 30, 1951 the Company's electric generating stations were as follows:

Generating Units							Net Output in KWH 12 Months Ended June 30, 1951
Location	Nameplate Rating Kw.—80% PF	Number and Capacity Kw.		Year Installed	Effective Capacity Kw.(Gross)		
Steam							
Dubuque, Iowa	37,500	1	10,000	1926	37,500	94,471,013	
		1	15,000	1929			
		1	12,500	(1) 1931			
Albert Lea, Minn.	19,000	1	500	1926	20,500	93,832,280	
		1	5,000	(2) 1929			
		1	6,000	1927			
		1	7,500	1942			
Clinton, Iowa	15,000	1	15,000	1947	15,000	99,782,500	
(Beaver Channel)							
Clinton, Iowa	5,700	1	3,200	1919	5,000	(216,760)*	
		1	1,000	1911			
		1	1,500	1913			
Sherburn, Minn.	11,500	1	11,500	1950	12,500	59,173,600	
(Fox Lake)							
Montgomery, Minn.	2,250	1	1,250	1921	2,250	5,189,440	
		1	1,000	(3) 1943			
Lansing, Iowa	26,500	1	15,000	1948	30,000	135,058,610	
		1	11,500	1949			
Total Steam	117,450				122,750	487,290,683	
Hydro							
Clermont, Iowa	520	1	320	1925	250	137,634	
		1	200	1921			
Decorah, Iowa (Upper)	400	1	400	1912	380	104,703	
Decorah, Iowa (Lower)	680	1	680	1929	560	835,610	
Delhi, Iowa	1,500	2	750	1928	1,300	3,146,702	
Elkader, Iowa	422	1	350	1926	250	286,957	
		1	72	1914			
Greene, Iowa	320	1	200	1925	300	400,482	
		1	120	1925			
Independence, Iowa	600	2	300	1922	300	413,841	
Mitchell, Iowa	1,000	1	400	1925	550	892,784	
		1	600	1925			
Waucoma, Iowa	30	1	30	1914	20	—	
Total Hydro	5,472				3,910	6,218,713	
Internal Combustion							
Elkader, Iowa	200	1	200	(4) 1949	140	4,680	
Greene, Iowa	685	1	685	1948	685	100,700	
Guttenberg, Iowa	1,150	1	750	1947	1,030	59,160	
		1	200	1934			
		1	200	1935			
Winnebago, Minn.						(5) 217,042	
Heron Lake	1,000	1	1,000	1949	1,000	285,588	
	1,000	1	(5) 1,000	1950	1,000	—	
Total Internal Combustion..	4,035				3,855	667,170	
Total Company(6)	126,957				130,515	494,176,566	

Notes: * The Kwhrs. used for station power was greater than that generated; therefore, the figures in parentheses are to be deducted.

(1) Year manufactured, 1917. Installed at Dubuque as rebuilt unit in 1931.

(2) Year manufactured, 1913. Moved from Dubuque, 1929.

(3) Year manufactured, 1911. Installed at Montgomery as rebuilt unit in 1943.

(4) Year manufactured, 1934. Moved from Guttenberg, 1949.

(5) Moved from Winnebago to Heron Lake, October, 1950.

(6) Reference is made to subcaption "Interstate Power Company of Wisconsin" below for information on plant capacity of that subsidiary.

The Company has agreements covering the firm purchase and interchange of power with Northern States Power Company, Mississippi Valley Public Service Company, Iowa Public Service Company, and emergency contracts with the municipal plant of Fairmont, Minnesota. The firm capacity contracted for at these purchase points is approximately 11,450 KW. Energy purchased for the 12 months ending June 30, 1951, was 62,988,366 kilowatt-hours.

The main transmission system operates at 69,000 volts and inter-connects all important generating stations on this system. The entire transmission system consists of approximately 2,247 circuit miles of line of various voltages.

At 14 of its generating stations and 2 of its purchase power points, the Company owns substations for converting power from generator or purchase point voltage to a higher voltage for transmitting. The active transformer capacity at such points totals 115,592 KVA and the reserve or spare transformer capacity at such points totals 11,084 KVA. All of these stations except two at the smaller power plants are of steel construction.

The Company owns approximately 1,100 pole miles of distribution lines and approximately 3,242 circuit miles of rural distribution lines, of various voltages.

The Company and subsidiaries have a combined total of 127,221 KW rated electric generating capacity. 130,615 KW is considered as effective capacity, subject to adjustment by deducting 18,750 KW as minimum reserve generating capacity and by adding 11,450 KW of dependable purchased power. The all-time consolidated system net peak load for a 60-minute period, 111,882 KW, was reached in December, 1950. The gross peak load was 117,382 KW.

GAS PROPERTY

The Company owns and operates a manufactured gas production plant and distributing system in the City of Clinton, Iowa, which it proposes to convert to natural gas as soon as it can construct the necessary natural gas facilities, and also owns and operates a natural gas distributing system in the City of Albert Lea, Minnesota. Below are pertinent statistics with respect to these systems.

Production Plant

<u>Location</u>	<u>Description</u>	<u>1 Hour Capacity *M.C.F. Capacity</u>	<u>Year Installed</u>
Clinton, Iowa	6' Water Gas Set	30 Minimum—40 Max.	**1942
Clinton, Iowa	7½' Water Gas Set	40 Minimum—50 Max.	1913

*Variation due to type of fuel used.

**Installed at Albert Lea 1924. Reconditioned and installed at Clinton 1942.

In 1948 the Company installed at Albert Lea, Minnesota, six steel tanks for storing 158,000 gallons of liquified propane. Liquified propane is quickly convertible (by means of a heat exchanger using steam) into gas of high heat content when the demand for natural gas soars to exceptionally high peaks during extreme cold weather. This equipment is installed for emergency use and is capable of producing 50,000 cubic feet of 1,000 B.T.U. gas per hour for several days.

Storage Plant

<u>Location</u>	<u>Description</u>	<u>Capacity M.C.F.</u>	<u>Year Installed</u>
Clinton, Iowa	Low Pressure Relief Holder	60	1906
Clinton, Iowa	Low Pressure Storage Holder	500	1928
Clinton, Iowa	Low Pressure Storage Holder	200	1919

Transmission System—None

Distribution System

	<u>Miles Main</u>	<u>Regulating Stations</u>
Clinton	76.34	3
Albert Lea	44.06	14

STEAM HEAT

The Company owns a steam heat distributing system serving 219 customers in the City of Albert Lea, Minnesota which is supplied from the steam generating station. The distribution system consists of 3.73 miles of steam mains and return lines.

BUS TRANSPORTATION SYSTEM

The Company owns and operates forty-three buses and three service trucks in the City of Dubuque, Iowa, ten of which were purchased in 1946, ten in July, 1947, seven in September, 1948, and five in October, 1950.

GENERAL PROPERTIES

The Company owns numerous miscellaneous properties in various parts of its territory which are used for office, service and other purposes. The most important of these are the district office buildings at Clinton, Iowa, and Albert Lea, Minnesota, the distribution service buildings at Dubuque, Iowa, and Albert Lea, Minnesota, and the bus garage at Dubuque, Iowa. The Company as lessee leases office space at various locations on the system, including the space used for the general office. The Company also leases a few small parcels of land for storage of poles and miscellaneous temporary uses.

The Company also owns certain gas mains and service lines in the City of Rochester, Minnesota, where prior to 1932 it had a franchise and conducted a manufactured gas business. These gas lines are now and for several years past have been leased by the Company to Peoples Natural Gas Company which latter company on May 31, 1951 contracted to purchase said leased facilities subject to approval of the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935.

PROPERTY ADDITIONS

During the five years and six months ended June 30, 1951, the Company and its subsidiaries expended \$30,505,779 for additions to and improvements of their properties. The tabulation set forth below summarizes the additions, retirements and sales during the period, including construction work in progress.

	Additions at cost	Retirements	Systems Sold, at Original Cost	Net Increase in Property (on basis of Original Cost)
1946	\$ 3,864,974	\$ 634,398	\$1,497,899(a)	\$ 1,732,677
1947	4,570,854	702,898	—	3,867,956
1948	7,027,184	1,304,450	—	5,722,734
1949	5,849,632	1,327,330	—	4,522,302
1950	6,948,252	1,571,201	—	5,377,051
1951 (to June 30)	2,244,883	518,353	—	1,726,530
	<u>\$30,505,779</u>	<u>\$6,058,630</u>	<u>\$1,497,899</u>	<u>\$22,949,250</u>

(a) Sale of New Ulm, Waseca and South Dakota properties.

The above expenditures include the construction of a 15,000 KW steam generating plant on Beaver Channel at Clinton, Iowa, and connecting transmission lines. This plant was completed and placed in operation during March, 1947. Other additions during the past five years and six months include (a) construction of 65 miles of 69,000 volt transmission lines in Minnesota connecting the Albert Lea and Montgomery steam generating plants, (b) construction of 40 miles of 13,800 volt transmission lines in the area south of Albert Lea, (c) construction of lines to connect approximately 6,500 rural customers, (d) construction of a 15,000 KW steam generating plant near Lansing, Iowa, placed in operation in September, 1948, (e) installation of a second generating unit (11,500 KW) at the Lansing plant, placed in operation in November, 1949, (f) installation of 3,435 KW in Diesel generating units, and (g) construction of a new 11,500 KW steam generating plant at Fox Lake near Sherburn, Minnesota, placed in operation in October, 1950. The second generating unit (11,500 KW) at the Fox Lake plant will be operating in the fall of 1951.

Approximately 55% of the gross original cost of utility plant as of June 30, 1951, represented property construction during the five years and six months ended on that date.

SALES OF PROPERTIES

The following tabulation sets forth the properties sold during 1946 and the approximate operating revenue and gross income (before income taxes) from such properties for the twelve months preceding the respective dates of sale.

Property Sold	Date of Sale	Sales Price	Twelve months preceding date of sale	
			Operating Revenue	Gross Income (before income taxes)
Natural gas property at New Ulm, Minnesota	Jan. 2, 1946	\$ 125,692	\$151,000	\$26,000
Natural gas property at Waseca, Minnesota..	Oct. 7, 1946	212,276	100,000	35,000
Electric property in South Dakota	Dec. 31, 1946	1,036,473	336,000	70,000

In the opinion of the management, the electric properties now owned by the companies constitute an integrated utility system, with the exception of two groups of properties, the so-called "Waconia group" and the so-called "Fulda group". Both of these groups are capable of integration by the construction of short connecting lines. The Fulda group will be connected to the integrated system about November, 1951, as the transmission line is now under construction.

TITLES

The physical property owned by the Company and its subsidiaries is situated generally on lands owned in fee by such companies or on property upon which valid rights of occupancy or use have been obtained. East Dubuque Electric Company does not own any real estate. Practically all the transmission and distribution lines not within the corporate limits of municipalities have been constructed on public highways or on land owned by such companies or on land of others pursuant to valid easements. Some of the electric substations and switching and metering stations are located on land owned by others or on public streets and highways over which the Company or its subsidiaries have leases, easements, rights-of-way or permits.

All properties of the Company are subject to the lien of the Bond Indenture dated as of January 1, 1948, as supplemented, securing the Company's outstanding First Mortgage Bonds, and to the lien of the Debenture Indenture dated as of January 1, 1948. The lien of the Debenture Indenture is subject to permitted liens as therein defined, including the lien of the Bond Indenture and of any future indentures supplemental thereto and of any Superseding First Mortgage as therein defined executed by the Company as security for any bonds now or hereafter issued pursuant thereto.

AFFILIATED COMPANIES

INTERSTATE POWER COMPANY OF WISCONSIN

Interstate Power Company of Wisconsin, a Wisconsin corporation, is a wholly owned subsidiary supplying electric service in the southwestern part of Wisconsin. Its property is fully interconnected with the Company system. It owns only one power plant, a hydro plant located at Gays Mills, Wisconsin, which has two 132 KW generators, (effective capability 100 KW) and generated 299,479 net KWH during the twelve months ended June 30, 1951. All other power requirements are obtained from the Company (37,068,822 KWH during the twelve months ended June 30, 1951) and are delivered over 34,500 volt loop lines from Dubuque, Iowa, on the south end of the loop and at Prairie du Chien, Wisconsin, on the north end of the loop.

The transmission system consists of a 34,500 volt loop with terminals at Dubuque, Iowa, and Prairie du Chien, Wisconsin. The total circuit miles of 34,500 volt line is 197.35, of which 28.01 miles are constructed for conversion to 69,000 volts.

EAST DUBUQUE ELECTRIC COMPANY

East Dubuque Electric Company, an Illinois corporation is a wholly owned subsidiary the property of which is located in the northwest corner of Illinois immediately across the Mississippi River from Dubuque, Iowa. This Company owns and operates an electric distribution system in the City of East Dubuque, Illinois, and also owns two buses operating between East Dubuque, Illinois, and Dubuque, Iowa. The electric distribution system comprises approximately 20 miles of urban and rural distribution lines.

To the knowledge of the Company, no corporation, individual or other entity owns, directly or indirectly, ten per cent or more of its voting stock.

MANAGEMENT

The names and addresses of the directors and officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Position and Office Held</u>
B. F. Pickard.....	1000 Main Street, Dubuque, Iowa	Director and President
M. L. Kapp.....	1000 Main Street, Dubuque, Iowa	Director, Executive Vice President and Assistant Secretary
C. A. Hummel.....	1000 Main Street, Dubuque, Iowa	Director and Vice President
B. H. Brewster.....	111 Broadway, New York 6, N. Y.	Director and Vice President of the Company; Treasurer, Secretary and Director of Italian Superpower Corporation
A. M. Skinner.....	225 South Broadway, Albert Lea, Minnesota	Director of the Company; President and General Manager of Skinner-Chamberlain & Co., Inc.; Treasurer of Minnesota Trust Company
R. Gilman Smith.....	55 Liberty Street, New York, N. Y.	Director of the Company; Partner in the firm of W. C. Gilman & Company, New York City
F. H. Van Allen.....	200 Fifth Avenue, South, Clinton, Iowa	Director of the Company; President and owner of John D. Van Allen & Son Inc.
Sanford Miles	1000 Main Street, Dubuque, Iowa	Controller
Oscar Solberg	1000 Main Street, Dubuque, Iowa	Secretary and Treasurer
C. W. Edmonds.....	1000 Main Street, Dubuque, Iowa	Assistant Secretary and Assistant Treasurer

Messrs. Hummel, Kapp and Pickard are officers devoting their full time to the affairs of the Company and have been so engaged for the past five years and for several years prior thereto. B. F. Pickard has been President of the Company since May, 1939. M. L. Kapp, Executive Vice President, has been employed by the Company since June, 1939 and has been a director or officer thereof since 1940. C. A. Hummel, Vice President, has been a director of the Company since May, 1939.

B. H. Brewster, who has been a Director since May 2, 1944, and a Vice President of the Company since July 24, 1946 also devotes his full time to the affairs of the Company. However, during the past five years and until his resignation on March 31, 1948 he was also President and a Director of Ogden Corporation (former parent of the Company) and an officer or director of City Theatres Corporation, Central States Utilities Corporation, Central States Power & Light Corporation, Litchfield & Madison Railway Company, Mt. Olive & Staunton Coal Company and Utilities Elkhorn Coal Company. He is also Treasurer, Secretary and a Director of Italian Superpower Corporation.

Oscar Solberg has been Secretary and Treasurer of the Company since March, 1938 and has been in the employ of the Company or its predecessors since April, 1921. Sanford Miles has been Controller of the Company since September, 1949.

R. Gilman Smith is, and has been during the past five years, a partner in the firm of W. C. Gilman & Company, 55 Liberty Steet, New York, N. Y., a consulting engineering firm and is also a Director of Western Public Service Company, an electric utility operating in and around Laramie, Wyoming.

F. H. Van Allen during the past five years has been President and owner of John D. Van Allen & Son, Inc., a department store in Clinton, Iowa. He is also a director of the City National Bank at Clinton, Iowa.

A. M. Skinner during the past five years has been President and General Manager of Skinner-Chamberlain & Co., Inc., a department store in Albert Lea, Minnesota. He is also Treasurer and a Director of Minnesota Trust Company, a trust company located in Albert Lea, Minnesota.

EMPLOYEES—LABOR RELATIONS

At June 30, 1951, the Company and its subsidiaries employed approximately 960 regular full time employees, of which 254 had fifteen years or more of service with the Company. Approximately 714 of these employees are members of unions. The Company believes that its employee relations are satisfactory.

Substantially all of the regular employees, other than supervisory, of the Company and its subsidiaries engaged in various classifications of work having to do with production, service, maintenance and construction activities, together with the office employees of the Dubuque and Clinton Districts as well as the General Office in Dubuque, are members of local unions affiliated with the American Federation of Labor and are covered by agreements between the Company and the unions. Such agreements cover,

among other things, wages, hours, rules of seniority, matters affecting working conditions and provisions for arbitration when grievances cannot be settled by direct negotiation.

Death and disability benefits for all employees injured in the course of their employment, are provided by Workmen's Compensation Insurance. For a number of years, the Company and its subsidiaries have provided their employees with a group life, hospitalization and non-occupational weekly disability insurance of which the companies share a substantial part of the cost.

The Company has for several years pensioned employees who, in the opinion of the management, were entitled to retirement because of age, health or other reasons. This program has never been embodied in a formal or definite pension plan, and continuance of all such pensions is subject to the discretion of the Board of Directors. The benefits granted under such informal pensions have been computed at the rate of one dollar per month for each year of service as of the date of retirement.

A formal and definite pension plan has also been adopted effective as of January 1, 1950, which plan is non-contributory and is administered in accordance with the provisions of a Group Annuity Contract using a principle of funding sometimes referred to as deposit administration, with Bankers Life Company (of Des Moines, Iowa). Under said contract, contributions by the employing companies are deposited with the insurance company each year to accumulate in an undivided fund. Upon the retirement of an employee, the accumulated contributions applicable to him will be applied to purchase an annuity for him. The employing companies will thereafter be free of any liability to the pensioned employees.

Generally each full time employee of the employing companies is eligible to join the plan upon the completion of one year of service. As of January 1, 1950, the Company and participating subsidiaries had approximately 925 employees of whom an estimated 802 were eligible for the plan.

The Company and each employing company hope to continue indefinitely the plan but no contractual obligation to do so has been undertaken. The plan may be amended, modified, or terminated at any time in the discretion of the Board of Directors of the employing company, provided no part of the funds set aside may be used for purposes other than for the benefit of participating employees at any time prior to the satisfaction of all liabilities with respect to said employees. The Board of Directors of each employing company has general power, without the vote of its stockholders, to adopt amendments to the plan at any time, including amendments increasing the cost of the plan to such employing company or altering the allocation of the benefits.

It is expected that the allowances to employees retired under the informal pension practice will be continued but such retired employees are not covered by the formal pension plan which became effective January 1, 1950.

DIVIDEND RECORD

Dividends on the 100,000 shares of 4.70% Preferred Stock, par value \$50 per share, since the date of issuance June 6, 1950, to July 1, 1951, have been paid, cumulative from June 1, 1950, on a quarterly basis on July 1, 1950, October 1, 1950, January 1, 1951, April 1, 1951, July 1, 1951, and October 1, 1951, in the following total amounts:

	<u>Aggregate</u>	<u>Per Share</u>
1950	\$ 133,819	\$1.338
1951	176,250	1.762

Dividends on the Common Stock, par value \$3.50 per share, since the date of issuance March 31, 1948, to October 1, 1951, have been paid as follows:

	<u>Aggregate</u>	<u>Per Share</u>
1948	\$ 450,000	\$.30
1949	945,000	.60
1950	1,203,750	.60
9 months ended October 1, 1951	933,750	.45

No dividends were declared or paid on any class of the Company's capital stock in the years 1946, 1947, or in the period prior to March 31, 1948, the date of consummation of the Company's Plan of Reorganization, and dividends were in arrears on the shares then outstanding of the Company's \$7 Dividend and \$6 Dividend Preferred Stocks. Pursuant to the order entered January 7, 1948, by the District Court of the United States for the District of Delaware enforcing the Company's Plan of Reorganization, upon the consummation of said Plan on March 31, 1948, the rights of the holders of the Company's previously outstanding Common Stock were terminated as of no value, and the rights of the holders of the Company's previously outstanding \$7 Dividend and \$6 Dividend Preferred Stocks, except to receive Preferred Stock Escrow Certificates pursuant to the Plan, ceased and terminated.

CAPITALIZATION

The following tabulated statement gives a summary of changes, effected by amendments to the Company's Certificate of Incorporation filed on the dates indicated below, in its authorized stock capitalization since its organization on April 18, 1925:

<u>Date</u>	<u>No Par Preferred Stock</u>	<u>Preferred Stock, \$50 Par Value</u>	<u>Common Stock No Par Value</u>	<u>Common Stock \$3.50 Par Value</u>
April 18, 1925	200,000 shs.		100,000 shs.	
June 7, 1926	200,000 shs.		125,000 shs.	
Feb. 28, 1927	200,000 shs.		175,000 shs.	
March 31, 1948	No Par Preferred Stock authorization eliminated		No Par Common Stock authorization eliminated	5,000,000 shs.
May 5, 1950	-	250,000 shs.		

Over the period of the past five years the only substantial changes in the outstanding amounts of stock of the Company have been the following:

1. The amendment of the Certificate of Incorporation as of March 31, 1948, so as to effect the complete elimination, pursuant to Plan of Reorganization of the Company under Section 11(e) of the Public Utility Holding Company Act of 1935 enforced by order of the District Court of the United States for the District of Delaware, of the previously authorized 200,000 shares of no par Preferred Stock and the 175,000 previously authorized shares of no par Common Stock of which there had been previously outstanding:

72,500 shares of \$7 Dividend Preferred Stock
 47,500 shares of \$6 Dividend Preferred Stock
 175,000 shares of no par Common Stock

2. The issuance on March 31, 1948, pursuant to said Plan of Reorganization, of 1,500,000 shares of \$3.50 par value Common Stock. 555,039 of said 1,500,000 shares were issued for a cash consideration, before expenses, of \$6.55 per share to the Company (aggregate consideration \$3,635,505.45). The remaining 944,961 of said 1,500,000 shares were deposited in escrow for the benefit of certain former security holders of the Company and consideration for said 944,961 shares was deemed to be the principal amount or stated value of the previously outstanding 6% Gold Debentures, 6% Demand Note and \$7 Dividend Preferred Stock and \$6 Dividend Preferred Stock and all unpaid accrued dividends thereon. This resulted in the Company having received total consideration of \$19,355,500 in excess of the par value of \$3.50 per share of the 1,500,000 shares which excess was credited to capital surplus to offset the deficit in earned surplus. Said 1,500,000 shares were issued together with certain new bonds and new debentures to permit the consummation of the Plan of Reorganization.

3. The issuance on November 7, 1949, of 300,000 additional shares of \$3.50 par value Common Stock, for a cash consideration, before expenses, of \$7.8199 per share to the Company (aggregate consideration \$2,345,970) to provide additional funds for the Company's construction program.

4. The issuance on June 6, 1950, of 100,000 shares of 4.70% Preferred Stock (\$50 par value) for a cash consideration, before expenses, of \$50 per share to the Company plus accrued dividends (aggregate consideration \$5,000,000) to provide part of the funds required by the Company in connection with the redemption of \$5,000,000 of its First Mortgage Bonds, 4½% Series Due 1978, the prepayment of \$2,400,000 of bank loans and the Company's construction program.

5. The issuance on June 6, 1950, of 275,000 additional shares of \$3.50 par value Common Stock for a cash consideration, before expenses, of \$8.91 per share to the Company (aggregate consideration \$2,450,250) to provide part of the funds required by the Company in connection with the redemption of \$5,000,000 of its First Mortgage Bonds, 4½% Series Due 1978, the prepayment of \$2,400,000 of bank loans and the Company's construction program.

Neither the Company nor any of its subsidiaries has reacquired any shares of the capital stock of the Company since the date of reorganization, March 31, 1948.

OPTIONS, WARRANTS, CONVERSION RIGHTS, ETC.

There are no options, purchase warrants, conversion rights or other commitments pursuant to which the Company may be required to issue any of its securities.

FUNDED DEBT

The Company has outstanding funded debt in the aggregate amount of \$28,000,000 as of June 30, 1951, as follows:

<u>Title of Issue</u>	<u>Amount</u>
First Mortgage Bonds:	
3¾% Series Due 1978	\$20,000,000
3% Series Due 1980	3,000,000
Secured Debentures:	
*3¾% Secured Debentures, due 1968	5,000,000

* The interest rate on these debentures was reduced from 4¾% per annum on June 6, 1950.

In addition to the funded debt the Company has outstanding bank loans, as of September 13, 1951, in the amount of \$4,250,000 evidenced by unsecured promissory notes bearing interest at the rate of 2¾% per annum and due April 10, 1952.

DESCRIPTION OF FIRST MORTGAGE BONDS

The Company's First Mortgage Bonds, 3¾% Series Due 1978, were issued under an Indenture and First Supplemental Indenture, both dated as of January 1, 1948, between the Company and The Chase National Bank of the City of New York and Carl E. Buckley, as Trustees, in accordance with the terms of the Company's above-mentioned Plan of Reorganization. The Company's First Mortgage Bonds, 3% Series Due 1980, were issued under the aforesaid Indenture dated as of January 1, 1948, as supplemented by Third Supplemental Indenture dated as of January 1, 1950.

The issue of the 3¾% Bonds was authorized by the Board of Directors of the Company under date of March 23, 1948, by the District Court of the United States for the District of Delaware under date of January 7, 1948 and by the Securities and Exchange Commission under date of March 23, 1948. The issue of the 3% Bonds was authorized by the Board of Directors of the Company under date of May 22, 1950 and by the Securities and Exchange Commission under date of May 23, 1950.

The amount of bonds authorized to be issued is restricted as provided in the Indenture, but not limited as to aggregate principal amount. The total principal amount of 3¾% Bonds issued was \$22,400,000 of which \$2,400,000 (nominally issued for collateral purposes) were retired leaving \$20,000,000 principal amount outstanding. The total principal amount of 3% Bonds issued was \$3,000,000 all of which remain outstanding. The 3¾% Bonds are dated as of January 1, 1948, due January 1, 1978 and the 3% Bonds are dated as of January 1, 1950, due January 1, 1980, and bear interest from their respective dates of issue.

Principal and interest are payable at the agency of the Company in the Borough of Manhattan, the City of New York, or in the City of Chicago, Illinois in any coin or currency of the United States which at the time of payment is legal tender for public and private debts. Interest is payable semi-annually on January 1 and July 1 in each year.

The interest on the Bonds is not tax exempt and no refund will be made by the Company for any Federal or State tax paid by any holder of the Bonds.

The Bonds are issuable in coupon form, registerable as to principal only, in the denomination of \$1,000, and in fully registered form in the denomination of \$1,000 or any multiple thereof.

The Bonds are exchangeable at the agency of the Company in the Borough of Manhattan, the City of New York, as between registered and coupon form and are interchangeable as to authorized denominations.

The Bonds are registerable and transferable at the agency of the Company in the Borough of Manhattan, the City of New York.

BOND INDENTURE PROVISIONS

The following statements are brief summaries of certain provisions contained in the Bond Indenture, the First Supplemental Indenture and in the Third Supplemental Indenture. They do not purport to be complete and reference is hereby made to the Indenture, the First Supplemental Indenture and the Third Supplemental Indenture, which are incorporated herein by reference, for full and complete statements of such provisions, including the definition of certain of the terms used and for other information with respect to the Bonds.

SECURITY

In the opinion of counsel for the Company the 3¾% Bonds and the 3% Bonds are secured, equally and ratably with all other Bonds which have heretofore been issued or which may hereafter be issued under the Indenture, (a) by a valid and direct first lien on substantially all of the fixed properties and

franchises owned by the Company on the dates of execution and delivery of the First Supplemental Indenture and Third Supplemental Indenture, subject to the exceptions set forth in the granting clauses of the Indenture and subject to existing leases, existing "liens upon rights-of-way for transmission or distribution line purposes," existing easements, exceptions and reservations provided in the deeds or other instruments under which the Company owns or may hereafter acquire any such property and to undetermined liens and charges incidental to construction and other "permitted liens", and subject to such defects as the Company may have power by appropriate legal proceedings to cure, or which, in the opinion of counsel for the Company, are not of a serious nature under the facts and circumstances of the case, and subject also to the prior lien of the Trustees for their compensation, expenses and liabilities, and (b) by the pledge of all of the outstanding capital stock of the Pledged Subsidiaries required to be pledged under the Indenture.

There are excepted from the lien of the Indenture: (i) bills, notes and accounts receivable, cash on hand or in banks, contracts, leases, operating agreements and choses in action and stocks, bonds and other securities, not required to be pledged by the terms of the Indenture; (ii) electric energy, gas, water, steam, oil, coal and other minerals and other products, goods, wares, merchandise, appliances, materials and supplies, generated, manufactured, produced, purchased or acquired for the purpose of sale or lease, distribution or use in the ordinary course of business; and fuel, enriching oil and gases, materials, stores and supplies and other personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the plants or systems of the Company; (iii) timber, oil, coal and other minerals, if any, other than gas, on or lying or being within or under any land subject to the lien of the Indenture; (iv) office supplies; (v) automobiles, aircraft, tractors, trucks and similar vehicles or materials and supplies held for the purpose of repairing or replacing (in whole or in part) any of the same (other than automobiles, buses, trucks and cars owned by the Company and used for the transportation of persons or property as part of the Company's transportation system) and motor and trolley buses leased by the Company and used in the operation of its transportation system; (vi) the last day of the term of each leasehold estate now or hereafter enjoyed by the Company; (vii) the Company's franchise to be a corporation; and (viii) all property permits and franchises of any other corporation of whatever character, shares of stock or securities whereof, or obligations secured by lien upon the properties and franchises whereof, which may be now owned or hereafter acquired or possessed by the Company.

The Indenture provides that there be subjected to the lien thereof the Company's interest in all property hereafter acquired, other than property of the nature excepted above. Property hereafter acquired may be subject to prior liens.

The Company covenants that until all the capital stock of a Pledged Subsidiary shall have been released from the lien of the Indenture: (i) all capital stock and indebtedness of such Subsidiary owned by the Company (other than unsecured accounts and debts incurred in the ordinary course of business and indebtedness to the Company on open account in an aggregate amount as to all Pledged Subsidiaries not exceeding \$500,000 at any one time) will be pledged under the Indenture; and (ii) no Pledged Subsidiary will create or permit to exist any indebtedness except indebtedness to the Company, indebtedness with respect to permitted liens, purchase money indebtedness (whether unsecured or secured only by the property acquired, except property acquired from the Company) in an aggregate amount as to all Pledged Subsidiaries of not exceeding \$250,000, indebtedness for bank loans (not secured by bondable property) in an aggregate amount as to all Pledged Subsidiaries of not exceeding \$250,000, indebtedness secured by funded prior liens, unsecured accounts payable and debts incurred or assumed in the ordinary course of business. The Company owns, free and clear of all liens prior to the lien of the Indenture, all indebtedness of the Pledged Subsidiaries other than indebtedness of the kind so permitted to be outstanding in the hands of others than the Company.

The Indenture permits, in accordance with the provisions thereof, the conveyance by the Company to one or more Subsidiaries, or to one or more corporations to be organized and established as a Subsidiary as provided in §1.54 of the Indenture of all of the property of the Company situated in either the State of Iowa or the State of Minnesota, or both, subject to the lien of the Indenture and such Subsidiary is required to assume by supplemental indenture certain covenants of the Indenture and may also assume payment of all the Bonds then outstanding and the performance of all covenants and conditions of the Indenture. Any such Subsidiary is referred to in the Indenture as a "Special Subsidiary".

ADDITIONAL ISSUES

Additional Bonds, ranking equally and ratably with the 3¾% Bonds and the 3% Bonds, may be authenticated and delivered as Bonds of the same series or as Bonds of another series, having such dates, maturities, interest rates, redemption prices and other terms as may be determined by the Board of Directors. Additional Bonds may be authenticated and delivered in a principal amount (i) up to 60% of the "net bondable value of property additions not subject to an unfunded prior lien" (which include property additions of the Pledged Subsidiaries), (ii) equal to the principal amount of Bonds retired or then to be retired (except out of trust estate moneys) and (iii) equal to the amount of cash deposited

with the Corporate Trustee for such purpose, which may thereafter be withdrawn upon the same basis that additional Bonds are issuable under (i) and (ii) above.

Additional Bonds may not be authenticated and delivered unless "net earnings of the Company and the Pledged Subsidiaries available for interest" for any twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which application shall have been made for authentication of such additional Bonds shall have been equal to at least twice the annual interest charges on all Bonds then outstanding under the Indenture, all additional Bonds then applied for, all outstanding prior lien bonds, and all prior lien bonds, if any, concurrently being issued. Bonds or prior lien bonds for which moneys sufficient for the payment thereof have been deposited are not considered outstanding for this purpose. The net earnings test need not be met in the case of the issue of additional Bonds upon the basis of property additions subject to an unfunded prior lien for the purpose of refunding such prior lien, which simultaneously with the granting of the application will become a funded prior lien, if application for the issue of additional Bonds for either of these two purposes is made at any time after a date two years prior to the maturity of the Bonds or prior lien bonds being refunded.

SINKING FUND

The Company covenants in the First Supplemental Indenture that so long as any of the $3\frac{3}{4}\%$ Bonds are outstanding it will, on or before March 31 in each year beginning with the year 1964, provide an annual Improvement and Sinking Fund in an amount equal to $1\frac{1}{2}\%$ of the greatest aggregate principal amount of $3\frac{3}{4}\%$ Bonds outstanding at any one time prior to the preceding January 1, less the aggregate principal amount of $3\frac{3}{4}\%$ Bonds retired (other than through operation of the Improvement and Sinking Fund or the Maintenance Fund).

The Company covenants in the Third Supplemental Indenture that so long as any of the 3% Bonds are outstanding, it will, on or before March 31 in each year beginning with the year 1953, provide an annual Improvement and Sinking Fund in an amount equal to $1\frac{1}{4}\%$ for the first eight years, and 1% for all subsequent years, of the greatest aggregate principal amount of the 3% Bonds outstanding at any one time prior to the preceding January 1, less the aggregate principal amount of 3% Bonds Series retired (other than through operation of the Improvement and Sinking Fund or the Maintenance Fund), by application of certain moneys included in the trust estate. The Improvement and Sinking Fund payments provided for in the First Supplemental Indenture and Third Supplemental Indenture may either be made in cash or may be satisfied by (i) the delivery to the Corporate Trustee for cancellation of an equal principal amount of Bonds theretofore issued and outstanding under the applicable Indenture, or (ii) the application of 60% of the "net bondable value of property additions not subject to an unfunded prior lien" (as hereinafter defined) then available. Any such Bonds or any such net bondable value of property additions not subject to an unfunded prior lien so used in satisfaction of the Improvement and Sinking Fund cannot thereafter, so long as any Bonds of that particular series are outstanding, be made the basis of the issue of additional Bonds or the withdrawal or reduction of cash required to be deposited with the Corporate Trustee. Any moneys paid into the Improvement and Sinking Fund are to be applied to the purchase or redemption of Bonds of the Series issued under the appropriate Indenture. The Company is permitted, from time to time, to anticipate in full or in part the requirements of this Fund for the current year or any subsequent year or years by depositing cash and/or Bonds.

The Company further covenants in the First Supplemental Indenture that, so long as any of the $3\frac{3}{4}\%$ Bonds are outstanding, it will, on or before March 31 in each year beginning with the year 1964, and covenants in the Third Supplemental Indenture that, so long as any of the 3% Bonds are outstanding, it will, on or before March 31 in each year beginning with the year 1951, deposit with the Corporate Trustee as a Maintenance Fund, in cash or principal amount of Bonds of the appropriate series, an amount equal to 15% of the consolidated electric and bus operating revenues and $12\frac{1}{2}\%$ of the consolidated gas, steam and water operating revenues of the Company and Pledged Subsidiaries for the preceding calendar year (after deducting the cost to the Company or Pledged Subsidiaries of electric energy, gas, steam or water purchased for exchange or resale, and after deducting rentals for leased properties owned by others on which maintenance and depreciation or depletion are borne by the owners) less the amount expended by the Company and Pledged Subsidiaries during such calendar year for maintenance and repairs and included or reflected in operating expense accounts. To the extent that the Company may so desire, the cost or fair value, whichever is less, of gross property additions acquired by the Company and Pledged Subsidiaries after December 31, 1946, whether or not theretofore made the basis of the issue of bonds or the withdrawal or reduction of cash required to be deposited with the Corporate Trustee, may be deducted from the amount so required to be deposited with the Corporate Trustee. Any gross property additions so used as a credit may not thereafter, so long as any Bonds of the appreciate series are outstanding, be made the basis of the issue of additional Bonds or the withdrawal or reduction of cash required to be deposited with the Corporate Trustee, except to the extent of an amount not exceeding the aggregate bonded cost of all bondable property retired since December 31, 1946. To the extent that expenditures for maintenance and repairs by the Company and Pledged Subsidiaries in any calendar year

subsequent to December 31, 1946, plus the cost or fair value, whichever is less, of gross property additions used as such a deduction exceed 15% of such consolidated electric and bus operating revenues, plus 12½% of such consolidated gas, steam and water operating revenues, the excess, to the extent not theretofore used for such purpose, is available to offset any deficiency in any subsequent year or years. Any cash balance at any time held in the Maintenance Fund, at the request of the Company, shall be applied by the Corporate Trustee to the purchase or redemption of Bonds or shall be paid over to the Company upon delivery to the Corporate Trustee of Bonds of a principal amount equal to the amount of the cash so to be paid to the Company or may be withdrawn by the Company against gross property additions in the same manner as release moneys.

REDEMPTION PROVISIONS

The 3¾% Bonds and 3% Bonds are redeemable at the election of the Company (otherwise than for the Improvement and Sinking Fund, except to the extent of cash deposited for the Improvement and Sinking Fund prior to January 1 of the calendar year next preceding the calendar year in which the deposit of cash shall become due for said Fund, and otherwise than for the Maintenance Fund and otherwise than by application of certain moneys included in the trust estate), in whole or in part by lot, at any time prior to maturity, at the respective general redemption prices set forth in Column A of the following tables. The 3¾% Bonds and 3% Bonds are redeemable for the Improvement and Sinking Fund to the extent of cash deposited therein on or after January 1 of the calendar year next preceding the calendar year in which the deposit of cash shall become due, or for the Maintenance Fund or by application of certain moneys included in the trust estate, at any time prior to maturity, at the respective special redemption prices set forth in Column B of such tables. The Company is permitted, from time to time, to anticipate in full or in part the requirements of the Improvement and Sinking Fund of the current year or any subsequent year or years.

REDEMPTION PRICES OF 3¾% BONDS

	Col. A	Col. B		Col. A	Col. B		Col. A	Col. B
12 Months Period Ending Decem- ber 31	General Redemption Prices	Special Redemption Prices	12 Months Period Ending Decem- ber 31	General Redemption Prices	Special Redemption Prices	12 Months Period Ending Decem- ber 31	General Redemption Prices	Special Redemption Prices
1948	105.75	102.74	1958	103.77	102.13	1968	101.79	101.26
1949	105.55	102.69	1959	103.57	102.06	1969	101.59	101.15
1950	105.35	102.64	1960	103.37	101.98	1970	101.39	101.04
1951	105.15	102.58	1961	103.17	101.90	1971	101.19	100.93
1952	104.96	102.52	1962	102.98	101.82	1972	101.00	100.81
1953	104.76	102.46	1963	102.78	101.73	1973	100.80	100.69
1954	104.56	102.40	1964	102.58	101.64	1974	100.60	100.56
1955	104.36	102.34	1965	102.38	101.55	1975	100.40	100.40
1956	104.16	102.27	1966	102.18	101.46	1976	100.20	100.20
1957	103.97	102.20	1967	101.99	101.36	1977	100	100

REDEMPTION PRICES OF 3% BONDS

	Col. A	Col. B		Col. A	Col. B		Col. A	Col. B
12 Months Period Ending Decem- ber 31	General Redemption Prices	Special Redemption Prices	12 Months Period Ending Decem- ber 31	General Redemption Prices	Special Redemption Prices	12 Months Period Ending Decem- ber 31	General Redemption Prices	Special Redemption Prices
1950	106¼	103⅞	1960	103⅞	102⅜	1970	101¾	101⅜
1951	106⅝	103	1961	103¾	102¼	1971	101⅝	101¼
1952	105⅞	103	1962	103⅝	102⅞	1972	101½	101⅞
1953	105¾	102⅞	1963	103½	102⅞	1973	101⅝	101
1954	105⅝	102¾	1964	103¼	102	1974	101⅞	100⅞
1955	105½	102¾	1965	103⅝	101⅞	1975	101	100¾
1956	105⅜	102⅝	1966	103	101¾	1976	100⅞	100⅝
1957	105⅞	102⅝	1967	102¾	101⅝	1977	100⅝	100½
1958	105	102½	1968	102⅝	101⅝	1978	100½	100⅝
1959	104⅞	102⅜	1969	102⅜	101½	1979	100	100

Notice of redemption of any of the 3¾% Bonds or 3% Bonds shall be published at least once in each of three separate calendar weeks in an authorized newspaper in the Borough of Manhattan, The City of New York and in the City of Chicago, Illinois, the first of such publications to be not more than sixty nor less than thirty days before the redemption date; except that if all of the 3% Bonds at the time outstanding shall be registered 3% Bonds and/or coupon 3% Bonds registered as to principal, notice of redemption may be given solely by mail, postage prepaid, not less than thirty days and not more than

sixty days prior to the date of redemption, to the registered owners of said 3% Bonds at their addresses as the same shall appear, if at all, on the transfer registry of the Company.

DEFAULT

The Indenture provides that the following are events of default:

(a) Failure to pay the principal of any Bond when and as the same shall become due and payable, whether at maturity or otherwise;

(b) Failure to pay any instalment of interest on any Bond or to pay or satisfy any improvement, maintenance or sinking fund obligation, when and as such instalment of interest or improvement, maintenance or sinking fund obligation shall become due and payable, and continuance of such failure for a period of sixty days;

(c) Failure, continued for sixty days after written notice to the Company by the Corporate Trustee or written notice to the Company and the Corporate Trustee by holders of not less than 15% of the outstanding Bonds, to perform or observe any other covenants, conditions or agreements in the Indenture or any supplemental indenture or the Bonds;

(d) Failure to pay the principal on any prior lien bonds, when and as the same shall become due and payable, or to pay any instalment of interest thereon, and continuance of such failure beyond the period of grace, if any, specified in the prior lien securing said bonds;

(e) Admission by the Company of inability to pay its debts as they become due, assignment by it for benefit of creditors, filing by the Company of a petition in bankruptcy or its adjudication as a bankrupt, or consent by it to the appointment of a receiver for all or any substantial part of its property;

(f) Appointment of a receiver, without the consent of the Company, for the whole or a substantial part of the trust estate, not set aside or stayed within 90 days;

(g) Filing by the Company of a petition under Chapter X of the Bankruptcy Act or the filing of an answer seeking the relief provided in said Chapter X;

(h) Approval of a petition filed against the Company under the provisions of said Chapter X not set aside or stayed within 60 days;

(i) Assumption of custody or control of the whole or any substantial part of the trust estate by a court of competent jurisdiction not terminated within 60 days;

(j) Termination of the corporate franchise of the Company by operation of law, if substantially all of the properties and assets of the Company have not theretofore or within 120 days thereafter been transferred to a successor corporation upon the terms and provisions of Article XII of the Indenture (concerning consolidation, merger and sale.)

The Indenture provides that the Trustees shall, within ninety days after the occurrence thereof, give to the Bondholders notice of any default known to them (disregarding as to the defaults any periods of grace) unless such default shall have been cured, but, except in the case of a default in the payment of principal or interest on the Bonds, or the payment of any sinking, improvement, maintenance or analogous funds, the Corporate Trustee may withhold such notice if and so long as the board of directors, executive committee, or a trust committee of directors or responsible officers of the Corporate Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders and the separate or Co-Trustee shall be protected in withholding such notice, so long as the separate or Co-Trustee determines in good faith that the withholding of such notice is in the interests of the Bondholders.

The holders of not less than 25% of the outstanding Bonds or the Corporate Trustee may declare the principal of all outstanding Bonds due upon the happening of any of the events of default specified in the Indenture, but the holders of a majority of the outstanding Bonds may waive such default and rescind any declaration if such default is cured.

The Trustees are required to take steps to enforce payment of the Bonds and the lien of the Indenture upon the request of the holders of not less than a majority in amount of the outstanding Bonds upon the happening of any of the events of default specified therein.

The Indenture also provides, in substance, that the Trustees shall be under no obligation to exercise any of the trusts or powers at the request or direction of any of the Bondholders pursuant to the provisions of the Indenture unless such Bondholders shall have offered to the Trustees security or indemnity satisfactory to them against costs, expenses and liabilities to be incurred therein or thereby.

Bondholders have no right to institute any proceeding to enforce any provisions of the Indenture or any remedy thereunder, except in the case of the refusal or neglect of the Trustees to act after default and after request by the holders of 25% in amount of the outstanding Bonds and the tender to the Trustee of

security and indemnity satisfactory to them against costs, expenses and liabilities, but the foregoing shall not prevent any holder of a Bond or coupon, on maturity thereof, from proceeding to collect the amount due on his Bond or coupon.

RELEASE

The Company or a Special Subsidiary will be permitted without any release by the Trustees:

(i) to dispose of any worn out or unnecessary machinery, equipment or other property upon substituting other machinery, equipment or property of a value at least equal to the value of that disposed of, or any property to an amount not exceeding \$20,000 in any calendar year if the proceeds are deposited with the Corporate Trustee;

(ii) to abandon any property if such abandonment is advisable in the proper conduct of the business, or otherwise in the best interests of the Company or of a Special Subsidiary;

(iii) to surrender or assent to the modification of franchises if, in the opinion of counsel (who may be counsel for the Company), the Company or a Special Subsidiary has under the modified franchise or under the new or some other franchise substantially equal or extended rights, or if, in the opinion of its Board of Directors, the retention of such franchise is not necessary in the profitable conduct of the business, or is not in the best interests, of the Company or such Special Subsidiary; and

(iv) to sell, surrender or abandon, with or without consideration, easements, rights-of-way or leases for transmission line or distribution line purposes, if such transmission or distribution lines have been sold or removed by the Company or a Special Subsidiary or taken by eminent domain and to grant to any public utility or governmental subdivision with or without consideration, easements and similar rights if the use of the property by the Company or such Special Subsidiary is not thereby impaired; any consideration received by the Company or such Special Subsidiary upon such sale, surrender or abandonment is to be deposited with the Corporate Trustee.

The Company may dispose of property (other than prior lien bonds or Pledged Subsidiary securities) upon depositing an amount of cash, obligations (taken at their principal amount) secured by purchase money liens, or obligations (taken at their fair value) of any municipality or other governmental subdivision possessing taxing power which may be the purchaser, equivalent to the fair value of the property to be released, which deposit shall be made with the Corporate Trustee (or with the trustee of any prior lien to which such property released may be subject, except when all the property subject to the prior liens is being released). If the property released is subject to a prior lien which is a lien solely upon the property released, an amount equal to the principal sum secured by such prior lien shall be deducted from the amount required to be deposited as above. Obligations of the character above specified may be released upon deposit of cash equal to their principal amount.

The Trustees are required, at the request of the Company, to surrender all bonds held by them and secured by a funded prior lien, if all indebtedness secured thereby is discharged. Except in the case of default, the Company may require prior lien bonds secured by a funded prior lien to be cancelled or to be surrendered for the purpose of any sinking fund or analogous fund, with respect to such prior lien bonds and any moneys received therefor are to be paid to the Company. Except in the case of default, no payment by way of interest or principal or otherwise, upon funded prior lien bonds held by the Corporate Trustee, shall be required unless the Company so elects, in which event the Company is to receive the payments.

The Company may obtain the release of funded prior lien bonds, but only if all property subject to such lien has been or is being released, upon deposit with the Corporate Trustee of cash equal to the principal amount of prior lien bonds being released or, if the fair value of the property subject to such lien is less than the amount of all bonds secured by such lien, the proportion of such fair value represented by the prior lien bonds being released.

The Trustees are permitted to release any property taken by eminent domain or purchased by a municipality or other governmental subdivision pursuant to right of purchase. Any award for such property, if approved by the Company, may be accepted by the Trustees as representing full value. Proceeds of property so taken or purchased shall be paid to the Trustees to be held as a part of the trust estate or to any trustee of a prior lien, as their interests may appear.

In case the Company or a Special Subsidiary disposes of any property of the character excepted from the lien of the Indenture or of a character where no release by the Trustees is required, or in case the Company or a Special Subsidiary acquires any property under lease or conditional sale, the Trustees shall execute, upon compliance with the Indenture, proper instruments of disclaimer, quitclaim, waiver, consent or confirmation.

The Company may dispose of property (other than prior lien bonds or Pledged Subsidiary securities) to a Subsidiary or to a corporation to be established as a Subsidiary upon depositing shares of capital

stock of said Subsidiary or corporation to be established as a Subsidiary having an aggregate par or stated value at least equal to the amount by which the fair value to the Company of the property to be released exceeds purchase money mortgage obligations on said property and cash deposited with the Corporate Trustee plus the amount of any unfunded prior lien on said property.

The Company may obtain the release of all of the capital stock and indebtedness of a Pledged Subsidiary (but not less than all) pledged under the Indenture upon deposit with the Corporate Trustee of cash in the amount of the then fair value of the bondable property of such Pledged Subsidiary. The Trustees are also required to release all of the stock and indebtedness of a Pledged Subsidiary from the lien of the Indenture upon the acquisition by the Company of all or substantially all of the properties of such Pledged Subsidiary and upon the subjecting to the lien of the Indenture of the property of such Pledged Subsidiary so conveyed to the Company, other than property of the character of property of the Company excepted from the lien of the Indenture.

If less than all of the property of a Pledged Subsidiary is conveyed to the Company, the Corporate Trustee is required, upon request of the Company and in order to pay the purchase price of such property, to surrender for cancellation stock or indebtedness of such Pledged Subsidiary of a fair value not exceeding the lesser of the cost to the Subsidiary or fair value to the Company of the property so conveyed.

In the event that a Pledged Subsidiary other than a Special Subsidiary should sell or otherwise dispose of any bondable property (except to the Company or another Pledged Subsidiary or in circumstances similar to those referred to in the first paragraph above under this subcaption "Release"), the Company is required within six months thereafter to deposit in cash with the Corporate Trustee as part of the trust estate an amount equal to the fair value of the property so disposed of, reduced by the amount of purchase money obligations received by the Subsidiary on such disposition.

Upon the distribution or payment by a Pledged Subsidiary to the Company of any cash or property upon or with respect to any capital stock or indebtedness of such Pledged Subsidiary pledged under the Indenture, whether by payment of interest upon or principal of any such indebtedness or by way of a dividend upon or reduction of capital stock or by way of liquidation or dissolution of such Pledged Subsidiary, all property which is not bondable property or the proceeds thereof so distributed may be received by, or shall be paid by the Corporate Trustee to, the Company, free of the lien of the Indenture, and all other property so distributed shall become subject to the lien of the Indenture.

All moneys received by the Corporate Trustee to be held by it as a part of the trust estate (other than moneys received by it for the Improvement and Sinking Fund, or as the basis for the issue of additional Bonds, or on account of judgment liens or in order to make a prior lien a funded prior lien) may be withdrawn in an amount equal to the aggregate of the cost or (as to property additions not previously retired) the fair value, if the fair value is less than the cost, of gross property additions acquired by the Company and the Pledged Subsidiaries. No such moneys may be withdrawn upon the basis of property additions subject to an unfunded prior lien except cash deposited with the Corporate Trustee upon the release or disposition of property of the Company or a Pledged Subsidiary (or the payment of obligations received in connection therewith) or the loss or destruction of property, which, in each case, was subject to an unfunded prior lien. Moneys held in the trust estate, other than moneys in the Improvement and Sinking Fund and the Maintenance Fund, may also be withdrawn in an amount equal to ten-sixths of the principal amount of Bonds theretofore issued which are surrendered to the Corporate Trustee.

The Company may withdraw moneys deposited upon the release of fixed property not of the nature of property additions in an amount equal to the lesser of the cost or fair value of other fixed property not of the nature of property additions.

The Corporate Trustee is required, upon request by the Company, to pay over to the trustee or other holder of the mortgage securing any prior lien bonds, any moneys held on account of any such prior lien bonds at maturity or upon redemption thereof, and also to pay over to the Company, upon its request, any moneys held on account of any prior lien bonds or judgment liens (i) whenever the instrument securing such prior lien bonds is released or the judgment lien shall have been discharged, and (ii) in the case of moneys deposited on account of prior lien bonds to the extent that such bonds shall have been paid, reduced or ascertained by judicial determination to be invalid or to the extent that prior lien bonds of the same issue are deposited with the Corporate Trustee.

The Corporate Trustee is required, upon request by the Company, to apply any moneys held by it in the trust estate (other than on account of prior lien bonds or judgment liens) to the purchase or redemption of Bonds outstanding under the Indenture and any such moneys, except moneys in the Maintenance Fund, not withdrawn by the Company within five years after their deposit under the Indenture, if in excess of \$25,000, must be applied to such purchase or redemption. Upon any such purchase or redemption the Company is to pay to the Corporate Trustee the amounts by which the purchase or redemption price exceeds the principal amount of the Bonds purchased or redeemed and the Corporate Trustee is to pay to the Company out of the trust estate the amount by which the purchase price is less than the principal amount of Bonds purchased or redeemed.

Moneys held in the trust estate may, at the request of the Company, be invested or reinvested in bonds or other obligations of the United States of America, and interest thereon paid to the Company. If upon the sale of any such bonds or obligations the net proceeds are less than the amount invested, the Company is required to pay the difference to the Corporate Trustee.

The Indenture requires each Trustee to transmit to Bondholders within 60 days after January 1 of each year beginning with the year 1949, a brief report with respect to any release, or release and substitution, of property subject to the lien of the Indenture (and the consideration therefor, if any) which it has not previously reported. The Indenture also requires each Trustee to transmit a brief report with respect to any release, or release and substitution, of property subject to the lien of the Indenture (and the consideration therefor, if any), within 90 days after any such release, if the fair value of such property is 10% or more of the principal amount of the Bonds outstanding at the time. Such reports are to be transmitted to registered Bondholders, to any Bondholders who within two years preceding such transmission have filed their names and addresses with the Corporate Trustee and, in the case of the annual reports referred to above, to any Bondholders whose names and addresses have been received by the Corporate Trustee pursuant to a covenant of the Company, contained in the Indenture, to furnish any such information in the control of the Company or any paying agent under the Indenture.

CONVERTIBILITY

The Bonds are not convertible into any other security.

MODIFICATION

To the extent permitted by the terms of the Indenture, modification or alterations of the Indenture or any indenture supplemental thereto, and of the rights and obligations of the Company or any Special Subsidiary and of the holders of the Bonds may be made with the consent of the Company by an affirmative vote of not less than 70% in the amount of the outstanding Bonds entitled to vote at a meeting of Bondholders and by an affirmative vote of not less than 70% in amount of the outstanding Bonds entitled to vote of any series affected by such modification or alteration in case one or more, but less than all, of the series of Bonds outstanding under the Indenture are so affected; but no such modification or alteration shall be made which will affect the terms of payment of the principal of or interest on any Bond issued under the Indenture. Bonds owned or held by or for the account or benefit of the Company or an affiliated company (as defined in the Indenture) are not to be entitled to vote.

TREATMENT OF DEPOSITED FUNDS

It is provided in the Indenture that all cash collected by, or payable to, the Trustees, or either of them, shall be paid to and deposited with the Corporate Trustee, except as otherwise required by law. All moneys received by the Trustees, or either of them, constitute trust funds for the purposes for which they were paid or held, but need not be segregated in any manner from any other moneys except to the extent required by law and the Trustees are not liable for any interest thereon. So long as the Company is not in default it is entitled to credit for such interest, if any, as may be received by the Trustees upon defaulted funds.

Reference is made to the caption "Release" above for summaries of additional provisions of the Indenture concerning treatment of deposited funds and release of property from the lien of the Indenture. The deposit of funds in an amount less than sufficient for the payment of all principal interest or redemption price of all bonds outstanding under the Indenture would not of itself operate to discharge the pledged properties from the lien of the Indenture.

The Indenture provides that the Trustees shall, upon request of the Company, cancel and satisfy the Indenture whenever the holders of the Bonds and coupons have been paid, and that when the Company or any Special Subsidiary has deposited sufficient funds with the Corporate Trustee for the payment or redemption of Bonds and coupons, such Bonds and coupons are deemed to be paid within the meaning of the Indenture; provided, however, that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been duly given or provision satisfactory to the Corporate Trustee shall have been made therefor and the deposited funds are made immediately available for payment to Bondholders.

It is further provided that any moneys deposited with the Corporate Trustee for the payment or redemption of Bonds and coupons and remaining unclaimed by the bearers or registered owners of Bonds or the bearers of coupons for six years after the date of each maturity or redemption shall, upon the written request of the Company therefor, be repaid by the Corporate Trustee to the Company upon its written receipt therefor, and such bearers or registered owners of the Bonds and holders of the coupons shall thereafter be entitled to look only to the Company for payment thereof.

SUMMARY OF CERTAIN MORE IMPORTANT COVENANTS

The following is a summary of certain of the more important covenants of the Bond Indenture additional to those above mentioned.

The Company has covenanted that while any of the 3¾% Bonds or 3% Bonds are outstanding the ratio of (a) the bonded cost of property not subject to an unfunded prior lien owned by the Company and all Special Subsidiaries and subject to the lien of the Indenture and not retired, to (b) the bonded cost of property not subject to an unfunded prior lien owned by Subsidiaries other than Special Subsidiaries and not subject to the lien of the Indenture and not retired shall be at least eighty-five to fifteen.

The Company has covenanted in §1.39 of the Indenture that "net earnings of the Company and the Pledged Subsidiaries available for interest" are to be computed on a consolidated basis and consist of (A) the total operating revenues of the Company and the Pledged Subsidiaries from all operations less (B) all of their operating expenses and taxes (other than income, excess profits and other taxes measured by income), but excluding all interest and sinking fund charges, amortization of stock and debt discount and expense or premium and charges to income or otherwise for the amortization of property account, plus or minus (C) net non-operating income or loss (including interest and dividends from other corporations, including unpledged subsidiaries) but the amount to be added shall not exceed 10% of the balance remaining after deducting (B) from (A). Profits or losses on sale of capital assets are not included in computing such net earnings. In case the Company or a Pledged Subsidiary shall acquire any plant or system, the net earnings or net losses of such plant or system are to be included as if owned during the period for which such net earnings are being determined except that to the extent such plant or system shall have been acquired in exchange or substitution for property, the earnings from the property transferred by the Company and Subsidiaries shall be excluded. If, within or after the period for which the calculation is being made, the Company shall obtain the release of any property or a Pledged Subsidiary shall have disposed of any property to any one other than the Company or another Pledged Subsidiary, the fair value or proceeds of which property are in excess of \$100,000, or if the Company shall have disposed of a Pledged Subsidiary, the net earnings or net losses of such property or of such Pledged Subsidiary for the whole of such period are to be excluded to the extent practicable.

The Company has further covenanted that so long as any of the 3¾% Bonds or 3% Bonds are outstanding it will in ascertaining net earnings of the Company and its Subsidiaries available for interest for purposes of §1.39 of the Indenture make deductions for depreciation, repairs and maintenance in amounts which in the aggregate shall not be less than 15% of the consolidated electric and bus operating revenues and 12½% of the consolidated gas, steam and water operating revenues of the Company and the Subsidiaries as defined in §4.03 of the First Supplemental Indenture and Third Supplemental Indenture for the period for which the computation of such net earnings is being made.

Property hereafter acquired by the Company or the Pledged Subsidiaries may be subject to a funded prior lien or subject to an unfunded prior lien. The Company may assume the payment of any indebtedness secured by property acquired by it. The Pledged Subsidiaries may create or assume the payment of indebtedness secured by property acquired by them up to an amount not exceeding \$250,000 in the aggregate for all Pledged Subsidiaries at any one time outstanding.

The Indenture does not permit the Company to issue any prior lien bonds secured by a funded prior lien except upon deposit thereof under the Indenture or with the trustee or holder of another funded lien. The Indenture, however, does permit the Company to issue additional prior lien bonds secured by an unfunded prior lien, (i) up to 60% of "the net bondable value of property additions subject to such unfunded prior lien," acquired by the Company after the date of first acquisition of property subject to such prior lien, (ii) equal to the principal amount of prior lien bonds secured by such prior lien theretofore or simultaneously retired by the Company (otherwise than out of funds included in the trust estate or similar funds held by the trustee of such prior lien) or (iii) equal to the amount of cash deposited with the Corporate Trustee or the trustee of such prior lien for such purpose, which thereafter may be withdrawn on the same basis that additional Bonds are issuable under (i) and (ii) above; but in each case only if the net earnings test referred to under the heading "Additional Issues" above is complied with (except that the net earnings test need not be met in the case of refunding of prior lien bonds after a date two years prior to their maturity).

"Net bondable value of property additions subject to an unfunded prior lien" consists in substance of the aggregate of the cost or (as to property additions not previously retired) the fair value, if the fair value is less than the cost, of all gross property additions subject to such prior lien, less (i) all retirements of property of such character since acquisition, (ii) the excess, if any, of the fair value at the date of release of property of such character released from the Indenture over the bonded cost thereof, (iii) ten-sixths of the amount of prior lien bonds issued by the Company, and (iv) ten-sixths of the amount of cash deposited by the Company upon the issue of prior lien bonds and theretofore withdrawn on the basis of property additions.

In all cases of authentication and delivery of additional Bonds, the release of cash or property, the satisfaction and discharge of the Indenture, or any other action to be taken by the Trustees, or either of them, at the request or upon the application of the Company, the Indenture requires the Company to furnish an officers' certificate and opinion of counsel, each stating that all conditions precedent thereto have been complied with.

In the case of application for the authentication and delivery of additional Bonds, or the withdrawal of cash in lieu thereof, the Indenture requires the Company to deliver to the Corporate Trustee certain resolutions, certificates and opinions, and, in certain instances, other documents. In case the authentication and delivery of such Bonds is subject to conditions with respect to net earnings of the Company, such documents include an officers' certificate (one of such officers to be the Treasurer or Assistant Treasurer) setting forth the facts with respect thereto, and under certain circumstances, an independent accountant's certificate.

In case Bonds are to be authenticated and delivered or cash withdrawn on the basis of net bondable value of property additions, such documents will include an opinion of counsel as to titles and an engineer's certificate as to the cost and fair value of such net bondable value of property additions, which under certain circumstances shall be supplemented by an independent engineer's certificate, and, in case any part of the cost of the property additions included in determining the net bondable value of property additions consists of securities, an appraiser's certificate.

In case of applications for the release of property from the lien of the Indenture, the Indenture requires the Company to furnish to the Corporate Trustee certain resolutions, certificates, opinions and other documents, which include an engineer's certificate with respect to the fair value of the property to be released and to the effect that in the opinion of the signer such release will not impair the security under the Indenture in contravention of the provisions thereof, which certificate under certain conditions shall be supplemented by an independent engineer's certificate. In the case of applications for the release of property, the Indenture also requires the Company to furnish to the Corporate Trustee an engineer's or appraiser's certificate with respect to the fair value of any obligations deposited with the Corporate Trustee in substitution for the property released, such certificates under certain conditions to be supplemented by an independent engineer's or appraiser's certificate.

The Indenture requires the Company to furnish to the Corporate Trustee, promptly after the execution of any supplemental indenture on or after January 1, 1948, an opinion of counsel that all necessary action has been taken with respect to the recording and filing of such supplemental indenture, and at least annually after the execution of the Indenture an opinion of counsel as to any necessary recording, filing, re-recording or re-filing of the Indenture and all supplemental indentures.

The Indenture also requires the Company to file with the Corporate Trustee copies of the annual reports and of the information, documents and other reports required to be filed by it with the Securities and Exchange Commission under Section 13 or Section 15(d) of the Securities Exchange Act of 1934 or by any rules and regulations prescribed by said Commission under the provisions of Section 314(a)(1) of the Trust Indenture Act of 1939 and to file with the Corporate Trustee such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in the Indenture as may be required by the rules and regulations of the Securities and Exchange Commission.

The Company's covenants in the First and Third Supplemental Indentures restricting the payment of dividends are hereinafter summarized under the heading "Limitations on the Payment of Dividends" under the caption "Stock Provisions".

STOCK PROVISIONS

The following statements are brief summaries of certain provisions in respect of the Preferred Stock and the Common Stock of the Company, which are set forth in full in the Certificate of Incorporation of the Company, as amended, and the Certificate Pursuant to Section 13 of the General Corporation Law of the State of Delaware embodying the resolution of the Board of Directors of the Company providing for the issue of the outstanding Preferred Stock and of certain provisions of the Bond Indenture and the Debenture Indenture of the Company. Such summaries do not purport to be complete and reference is made to said Certificate of Incorporation, as amended, said Certificate Pursuant to Section 13 of the General Corporation Law of the State of Delaware, said Bond Indenture, as supplemented, and said Debenture Indenture for complete statements of such provisions. The following statements are qualified in their entirety by such reference and do not relate or give effect to the provisions of statutory or common law.

PREFERRED STOCK

The Certificate of Incorporation of the Company, as amended by Certificate of Amendment, authorizes 250,000 shares of Preferred Stock of the par value of \$50 per share, and empowers the Board of Directors to issue the Preferred Stock at any time or from time to time as Preferred Stock of any series, and in connection with the creation of each such series to fix: (a) the distinctive designation of and the number of shares constituting such series; (b) the dividend rate per annum of such series, the quarterly payment dates for dividend payments on such series, and the date from which dividends shall be cumulative; (c) the price or prices at which, and the terms and conditions on which, the shares of such series may be redeemed at the option of the Company; (d) the amount or amounts payable upon the shares of such series in the event of voluntary liquidation, dissolution or winding up of the Company; (e) the provisions of the sinking fund or purchase fund, if any, to be applied to the purchase or redemption of shares of such series; (f) the terms on which, and the rates at which, the shares on such series, if convertible or exchangeable, may be converted into or exchanged for other shares of stock of the Company; and (g) any restrictions to which the issue of additional shares of Preferred Stock, or of any shares of any other class of stock except any stock ranking junior to the Preferred Stock (such stock being herein referred to as "junior stock"), as defined in said Certificate of Incorporation, shall be subject.

All series of Preferred Stock are to rank equally and be identical in all respects except with regard to the foregoing particulars.

In pursuance of the power granted to it the Board of Directors by resolution created a series of 100,000 shares of 4.70% Preferred Stock all of which are outstanding.

DIVIDEND RIGHTS

The holders of Preferred Stock of each series are entitled to receive, out of the net profits or net assets of the Company, legally available therefor, when and as declared by the Board of Directors, subject to the limitations outlined below, dividends at the per annum rate for the particular series fixed by the Board of Directors, and no more, payable quarterly on the dates fixed by the Board of Directors in each case from the date of cumulation for such series fixed by the Board of Directors so that if at any time full cumulative dividends upon the outstanding Preferred Stock to the end of the then current dividend period shall not have been paid or declared and a sum sufficient for the payment thereof set apart for payment, the amount of the deficiency shall be fully paid, but without interest, or dividends in such amounts declared on each such series and a sum sufficient for the payment thereof set apart for such payment, before any sum or sums may be set aside for or applied to the purchase or redemption of Preferred Stock of any series and before any dividend may be declared or paid upon or set apart for, or any other distribution may be ordered or made in respect of, any junior stock and before any shares of junior stock shall be purchased, redeemed or otherwise acquired by the Company (except in exchange for or with the proceeds of the issue of other junior stock).

Dividends on the 4.70% Preferred Stock are payable at the rate of 4.70% per annum payable quarterly on January 1, April 1, July 1 and October 1, cumulative from June 1, 1950.

SINKING FUND

So long as any 4.70% Preferred Stock is outstanding, the Company (provided that full cumulative dividends to the end of the then current dividend period upon the outstanding Preferred Stock have been paid, or declared and set apart for payment, and to the extent that it has funds legally available therefor) on or before July 1 in each calendar year (hereinafter called the "Sinking Fund Date") commencing with the year 1956, will make available and set aside, as and for a sinking fund for the retirement of shares of the 4.70% Preferred Stock, an amount in cash equal to three (3%) per cent. of the aggregate par value of the shares of 4.70% Preferred Stock outstanding at the close of business June 30, 1956. The amount set aside for the sinking fund on each Sinking Fund Date (including any excess to the extent to which the Company shall be entitled to credit as hereinafter provided) will, except as hereinafter provided, be applied to the redemption, not later than the next succeeding October 1, of shares of the 4.70% Preferred Stock, to be determined by lot, at the sinking fund redemption price per share set forth under the caption "Redemption Provisions" plus an amount equal to full cumulative dividends thereon to the redemption date. In connection with any such redemption, the Company will also make available to the sinking fund an amount equal to such full cumulative dividends. The Company may surrender to the sinking fund on or prior to any Sinking Fund Date any shares of 4.70% Preferred Stock which after having been outstanding will have been purchased or otherwise acquired by the Company and which will not previously have been surrendered to the sinking fund, and the amount in cash required to be set aside for the sinking fund on such Sinking Fund Date will be reduced in an amount equal to the aggregate par value of the shares so surrendered. To the extent that the aggregate par value of shares of 4.70% Preferred Stock so surrendered to the sinking fund plus any cash set aside for the sinking fund will, as of any Sinking Fund Date exceed an amount equal to three (3%) per cent. of the aggregate par value of the shares of 4.70% Preferred Stock outstanding at the close of business June 30, 1956, the Company may credit the

amount of such excess on the sinking fund requirement for any one or more of the five next succeeding years as it may designate. The effect of this provision is to permit anticipation of the sinking fund requirement for a period of five years and redemption of Preferred Stock for said purpose at the sinking fund redemption price. Notwithstanding the setting aside of any amount for the sinking fund, the Company may at any time, and from time to time, prior to its application to the redemption of shares of 4.70% Preferred Stock through the sinking fund as aforesaid, withdraw such amount, or any part thereof, for the purchase by the Company of outstanding shares of 4.70% Preferred Stock at prices not in excess of the par value thereof, plus full cumulative dividends thereon, in the open market and/or by call for tenders as the Board of Directors of the Company may determine. All shares of 4.70% Preferred Stock so purchased will be surrendered to the sinking fund, and an amount from the sinking fund equal to the aggregate par value of the shares thus surrendered plus full cumulative dividends thereon will be deemed to have been applied to the redemption of shares of 4.70% Preferred Stock through the sinking fund. Shares of 4.70% Preferred Stock redeemed or surrendered to the sinking fund will be cancelled and will not be reissued.

VOTING RIGHTS

Except as otherwise required by the statutes of the State of Delaware and except as hereinafter set forth under this caption, the holders of Preferred Stock have no voting rights.

1. So long as any shares of Preferred Stock of any series shall be outstanding the Company shall not, without the consent by vote or in writing of the holders of two-thirds of the number of shares of Preferred Stock of all series, considered as a class without regard to series, authorize any class of stock ranking prior to the Preferred Stock with respect to the payment of dividends or the distribution of assets upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary.

2. So long as any shares of Preferred Stock of any series shall be outstanding, the Company shall not change the express terms and provisions of the Preferred Stock of such series so as to affect such series adversely, without the consent by vote or in writing of the holders of two-thirds of the number of shares of Preferred Stock of all series so affected, considered as a class without regard to series.

3. So long as any shares of Preferred Stock of any series shall be outstanding, the Company shall not, without the consent by vote or in writing of the holders of a majority of the shares of Preferred Stock of all series, considered as a class without regard to series:

(a) sell all or substantially all its assets or consolidate or merge with or into any other corporation or corporations, except that no such consent or vote shall be required if such sale, consolidation or merger or the issuance or assumption of all securities to be issued or assumed in connection with such sale, consolidation or merger shall have been approved, permitted or ordered by the Securities and Exchange Commission or by any successor commission or regulatory authority of the United States of America having jurisdiction over such sale, consolidation or merger or the issuance or assumption of securities in connection therewith; provided, however, that the provisions of this subparagraph (a) shall not apply to (i) a consolidation of the Company with, or a merger into the Company of, any subsidiary of the Company, or (ii) the purchase or other acquisition by the Company of the franchises or assets of another corporation in any manner which does not involve a consolidation or merger under the laws of the State of Delaware; the term "subsidiary" as used in this subparagraph (a) shall mean any corporation all of the outstanding shares of stock of which (except directors' qualifying shares) at the time shall be owned directly or indirectly by the Company or by a wholly-owned subsidiary of the Company; (the Board of Directors is expressly authorized to authorize and cause to be executed mortgages and liens without limit as to amount upon the real and personal property of the Company, and to sell, assign, convey and otherwise dispose of a part of the property, assets and effects of the Company less than the whole or less than substantially the whole thereof on such terms and conditions as they shall deem advisable without the assent of the stockholders in writing or otherwise); or

(b) increase the total authorized amount of Preferred Stock, or authorize any other preferred stock on a parity therewith with respect to the payment of dividends or the distribution of assets upon the dissolution, liquidation or winding up of the Company, whether voluntary or involuntary; or

(c) issue or assume any unsecured notes, debentures or other securities representing unsecured indebtedness for any purpose other than

(i) the refunding of unsecured indebtedness theretofore created or assumed by the Company and then outstanding;

(ii) the reacquisition, redemption or other retirement of any indebtedness, whether secured or unsecured, which reacquisition, redemption or other retirement has been authorized by the Securities and Exchange Commission under the provisions of the Public Utility Act of 1935 or by any successor commission or other regulatory authority of the United States of America; or

(iii) the reacquisition, redemption or other retirement of all outstanding shares of the Preferred Stock;

if immediately after such issue or assumption the total principal amount of all unsecured notes, debentures or other securities representing unsecured indebtedness issued or assumed by the Company, including unsecured indebtedness then to be issued or assumed (but excluding the \$5,000,000 principal amount of 3¾% Secured Debentures of the Company outstanding at the date of the Certificate of Amendment to the Certificate of Incorporation of the Company authorizing the Preferred Stock, or any unsecured indebtedness not in excess of \$5,000,000 principal amount or, in either case, such smaller principal amount as might result from operation of a sinking fund, if any, issued either to refund said 3¾% Secured Debentures or to reimburse the Company's treasury for any such debentures retired, otherwise than through operation of any sinking fund, subsequent to the date of said Certificate of Amendment), would exceed ten per centum (10%) of the aggregate of (1) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding and (2) the par value of, or stated capital represented by, the shares of all classes of stock of the Company then to be outstanding in the hands of the public, plus premium on such stock, plus capital surplus, earned surplus and any other surplus of the Company as then to be stated on the books of account of the Company.

4. No holder of Preferred Stock shall be entitled to vote for the election of directors or in respect of any matter, except as provided in paragraphs 1, 2 and 3 above or as hereinafter provided in this paragraph, or as may be required by law.

If full cumulative dividends for four (4) quarterly dividend periods upon any series of Preferred Stock shall be unpaid, the holders of the Preferred Stock as a class and without regard to series will thereafter at all elections of directors have the exclusive right to elect the smallest number of directors of the Company that shall constitute a majority of the number of directors as then constituted, and the holders of the Common Stock of the Company as a class shall have the exclusive right to elect the remaining number of directors of the Company, which right of the holders of the Preferred Stock will, however, cease when full cumulative dividends upon the Preferred Stock of all series then outstanding shall have been paid or declared and set apart for payment.

At all elections of directors by stockholders of the Company each holder of Preferred Stock, if entitled to vote at such election, shall be entitled to vote cumulatively.

LIQUIDATION RIGHTS

In the event of any liquidation, dissolution or winding up of the Company, the holders of the Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to stockholders, before any distribution of the assets shall be made to the holders of any junior stock,

(i) the sum of \$50 per share plus full cumulative dividends if such liquidation, dissolution or winding up shall be involuntary or

(ii) the amount fixed by the Board of Directors for the particular series, plus full cumulative dividends, if such liquidation, dissolution or winding up shall be voluntary;

and in the event of any such distribution of assets, the holders of the Common Stock shall be entitled, to the exclusion of the holders of Preferred Stock, to share ratably in all assets of the Company thereafter remaining. If upon any liquidation, dissolution or winding up of the Company the amounts payable with respect to the Preferred Stock are not paid in full, the holders of the Preferred Stock shall share ratably in any distribution of assets in proportion to the full preferential amounts to which they are entitled as aforesaid.

The amount payable to the holders of the 4.70% Preferred Stock upon any voluntary liquidation, dissolution or winding up of the Company will be the amount of the redemption price (exclusive of dividends) then in effect plus full cumulative dividends thereon to the date of final distribution.

REDEMPTION PROVISIONS

Preferred Stock of all or any series, or any part thereof, may be redeemed by the Company, at its election, at any time or from time to time, upon not less than thirty (30) days' previous notice by mail and by publication, at the redemption price or prices fixed by the Board of Directors for the particular series to be redeemed, plus an amount equal to full cumulative dividends to the redemption date. If less than all the outstanding Preferred Stock of any series is to be redeemed, the redemption may be made either by lot or *pro rata* in such manner as may be prescribed by the Board of Directors.

The 4.70% Preferred Stock is redeemable, otherwise than for the sinking fund, as a whole or in part at any time upon not less than 30 days' notice at the price of \$53.00 per share if redeemed on or before June 1, 1953; \$52.50 per share if redeemed thereafter and on or before June 1, 1956; and \$52.00

per share if redeemed after June 1, 1956; plus, in each case, an amount equal to full cumulative dividends thereon to the redemption date. The 4.70% Preferred Stock is redeemable for the sinking fund at \$51.50 per share, plus an amount equal to full cumulative dividends thereon to the redemption date.

OTHER PROVISIONS

The 4.70% Preferred Stock has no subscription rights, conversion rights or preemptive rights and, when duly issued, will be fully paid and non-assessable. There are no limitations in any indentures or other agreements on the payment of dividends on the Preferred Stock.

COMMON STOCK

The Common Stock of the Company is common stock of the par value of \$3.50 per share of which 5,000,000 shares are authorized for issuance by the Certificate of Incorporation, as amended. There are 2,075,000 shares of Common Stock outstanding.

DIVIDEND RIGHTS

After full cumulative dividends to the end of the then current dividend period upon the Preferred Stock of all series have been paid or declared and set apart for payment and after the Company shall have complied or made provision for compliance with the provisions of any sinking fund or purchase fund subject to the provisions of any resolution or resolutions of the Board of Directors with respect to any series of the Preferred Stock and subject to the limitations hereinafter outlined under the sub-heading "Limitations on the Payment of Dividends", the holders of the Common Stock are entitled to receive such dividends as may from time to time be declared by the Board of Directors.

LIMITATIONS ON THE PAYMENT OF DIVIDENDS

So long as any shares of the Preferred Stock of any series shall be outstanding, the right of the Company to make any "distribution on junior stock" shall be subject to the limitations set forth in subparagraphs (a) and (b) below. In such limitations the term "distribution on junior stock" means a dividend (other than a dividend payable in junior stock) or other distribution on junior stock, a purchase or redemption of junior stock and any other acquisition for value of junior stock (except in exchange for or with the proceeds of the issue of other junior stock).

In such limitations the term "junior stock equity ratio" means the ratio, computed as of the end of the second calendar month preceding the date of the authorization by the Board of Directors of the proposed distribution on junior stock of

(i) the aggregate par value of, or stated capital represented by, the outstanding shares of the junior stock, including premiums on junior stock, plus the consolidated surplus of the Company and its subsidiaries (as hereinafter defined)

to

(ii) the total capitalization of the Company and its subsidiaries (as hereinafter defined) plus the consolidated surplus of the Company and its subsidiaries.

Such limitations are as follows:

(a) If and so long as the junior stock equity ratio is 20% or more but less than 25%, the Company shall not make, during the twelve months' period ending with and including the date of any proposed distribution on junior stock, distributions on junior stock (including such proposed distribution on junior stock) exceeding in aggregate amount 75% of the consolidated net income of the Company and its subsidiaries for the twelve months' period ending with and including the second calendar month preceding the date on which the Board of Directors shall authorize such proposed distribution; and

(b) If and so long as the junior stock equity ratio is less than 20%, the Company shall not make, during the twelve months' period ending with and including the date of any proposed distribution on junior stock, distributions on junior stock (including such proposed distribution on junior stock) exceeding in aggregate amount 50% of the consolidated net income of the Company and its subsidiaries for the twelve months' period ending with and including the second calendar month preceding the date on which the Board of Directors shall authorize such proposed distribution.

The term "consolidated surplus of the Company and its subsidiaries" shall include capital surplus, earned surplus and any other surplus of the Company and its subsidiaries, consolidated in accordance with sound accounting practice.

The term "consolidated net income of the Company and its subsidiaries" shall mean the consolidated gross earnings of the Company and its subsidiaries from all sources less all proper deductions for operat-

ing expenses, taxes (including income, excess profits and other taxes based on or measured by income or undistributed earnings or income), interest charges and other appropriate items, including provision for maintenance and depreciation, and less all dividends paid or accrued on the Preferred Stock of the Company which are applicable to the period in question, and otherwise determined in accordance with sound accounting practice in use at the time, or, at the option of the Company, in use at the date of the Certificate of Amendment to the Certificate of Incorporation of the Company authorizing the Preferred Stock, but determined without deducting any losses, expenses or provisions charged directly to surplus in accordance with the Uniform Systems of Accounts prescribed by regulatory commissions having jurisdiction over the Company and its subsidiaries. The amount deducted for maintenance and depreciation of property of the Company and its subsidiaries shall be at least equal to the aggregate amount spent for maintenance and provided for depreciation by the Company and its subsidiaries.

The term "total capitalization of the Company and its subsidiaries" shall mean the aggregate of the principal amount of all indebtedness of the Company and its subsidiaries outstanding in the hands of the public maturing more than twelve (12) months from the date of determination of total capitalization of the Company and its subsidiaries, plus the par value of, or stated capital represented by, the shares of all classes of stock of the Company and its subsidiaries outstanding in the hands of the public, plus premium on such stock plus, in the case of such stock of subsidiaries, any surplus applicable thereto.

The Company covenants in Part V of each of the three Supplemental Indentures to its Bond Indenture, dated as of January 1, 1948, to The Chase National Bank of the City of New York and Carl E. Buckley, as Trustees, that, while any Bonds of the respective series issued thereunder are outstanding, it will not declare or pay any dividends (other than stock dividends) or make any other distribution on or acquire (unless acquired without cost to the Company) any shares of its Common Stock unless the consolidated earned surplus of the Company and its Subsidiaries (including as consolidated earned surplus current net income available to be transferred to surplus) less the sum of (a) the aggregate amount of all such payments and other distributions made and amounts paid in connection with acquisitions made during the period from December 31, 1946, to the date of the proposed payment of such dividend or the making of such distribution or acquisition that have not been charged to such consolidated earned surplus and (b) the excess, if any, of 15% of the consolidated electric and bus operating revenues and 12½% of the consolidated gas, steam and water operating revenues of the Company and Subsidiaries as defined in §4.03 of said Supplemental Indentures for the period, less all expenditures made during such period by the Company and its Subsidiaries for maintenance and repairs and included or reflected in their operating expense accounts, over the provisions for depreciation of property made by the Company and its Subsidiaries by charges against earnings or earned surplus during the period, shall be at least equal to the amount of the proposed dividend or distribution or the amount to be paid in connection with the proposed acquisition.

The provisions of the last paragraph limiting the payment of dividends and distributions and the purchase and redemption of Common Stock are to remain in full force and effect so long as any of the 3¾% Bonds or 3% Bonds of the Company shall remain outstanding.

§6.15 of the Debenture Indenture of the Company to Manufacturers Trust Company and Frederick E. Lober, as Trustees, dated as of January 1, 1948, provides that so long as any of the Secured Debentures remain outstanding the Company will not pay any dividends on its common stock (other than dividends payable in common stock) or make any distribution on, or purchase or otherwise acquire for value, any shares of its common stock (each and all of these actions being referred to as "payment of common stock dividends") if the aggregate amount of the payments of common stock dividends, including the proposed payment, during the period commencing with the effective date of the Company's Plan of Reorganization (March 31, 1948) and ending with and including the date of the proposed payment shall exceed 75% of the consolidated net income of the Company and Subsidiaries applicable to the common stock of the Company during the period commencing with the effective date of said Plan of Reorganization and ending with and including the second calendar month immediately preceding the date of the proposed payment; provided that this limitation shall not apply if, at the end of the second calendar month immediately preceding the date of the proposed payment, the ratio of (a) the aggregate of the stated or par value of all outstanding capital stocks including premiums on capital stocks of all classes of the Company and its Subsidiaries not held by the Company or its Subsidiaries, plus the consolidated capital and earned surplus of the Company and Subsidiaries, less the proposed payment, to (b) the aggregate of the principal amount of all outstanding indebtedness of the Company and its Subsidiaries represented by bonds, debentures, notes and other evidences of indebtedness maturing by their terms one year or more from the date of issue thereof and not held by the Company or its Subsidiaries, plus the aggregate of the stated or par value of all outstanding capital stocks, including premiums on capital stocks, of all classes of the Company and its Subsidiaries not held by the Company or its Subsidiaries, plus the consolidated capital and earned surplus of the Company and its Subsidiaries, less the proposed payment, is more than 35%.

The provisions of the last paragraph limiting the payment of dividends and distributions and the purchase and redemption of Common Stock are to remain in full force and effect so long as any of the Secured Debentures of the Company shall remain outstanding.

VOTING RIGHTS

Subject to the rights of the Preferred Stock outlined under the heading "Voting Rights" under the description of the Preferred Stock, the holders of the Common Stock have exclusive voting rights and each holder thereof entitled to vote at any particular time will have one vote for each share held of record by him and at the time entitled to voting power. At all elections of directors each holder of a share of Common Stock shall be entitled to cumulative voting, that is, to as many votes as shall equal the number of his shares of Common Stock multiplied by the number of directors to be elected.

LIQUIDATION RIGHTS

In the event of any liquidation or dissolution or winding up of the Company, the holders of Common Stock will be entitled, after payment to the holders of the Preferred Stock of all series of the preferential amounts to which they are entitled, to share ratably in all the assets of the Company then remaining to the exclusion of the holders of Preferred Stock of any and all series.

PREEMPTIVE, SUBSCRIPTION AND CONVERSION RIGHTS

No holder of stock of the Company shall be entitled as such as a matter of right to subscribe for or purchase any part of any new or additional issue of stock of the Company of any class or of securities convertible into stock of any class, whether now or hereafter authorized or whether issued for money, for consideration other than money or by way of dividend; *provided, however*, that if the Board of Directors shall determine to offer any new or additional shares of Common Stock, or any security convertible into Common Stock, for money, other than by a public offering or an offering of such shares of Common Stock or such security to or through underwriters or investment bankers who shall have agreed to make a public offering thereof, the same shall first be offered *pro rata* to the holders of the then outstanding shares of Common Stock of the Company upon terms not less favorable to the purchaser (without deduction of such reasonable compensation, allowance or discount for the sale, underwriting or purchase as may be fixed by the Board of Directors) than those on which the Board of Directors issues and disposes of such stock or securities to others than such holders of Common Stock; and *provided further* that the time within which such preemptive rights shall be exercised may be limited by the Board of Directors to such time as said Board may deem proper, not less, however, than ten days after the mailing of notice that such preemptive rights are available and may be exercised.

The holders of Common Stock have no other subscription, and no conversion rights.

LIABILITY TO ASSESSMENT

The shares of Common Stock are fully paid and non-assessable and not liable to further calls or assessments.

LITIGATION

Neither the Company nor any of its subsidiaries is involved in any pending litigation of a material nature which may affect its income from, title to, or possession of, any of its properties.

BUSINESS, FINANCIAL AND ACCOUNTING POLICIES

LEASES: The general office of the Company, certain branch offices of the Company and the offices of its Wisconsin subsidiary are leased from non-affiliates. At June 30, 1951 the annual rentals of all leases, expiring more than three years after that date, amounted to approximately \$14,000.

DEPRECIATION: Since January 1, 1944 it has been the policy of the Company and its subsidiaries to provide for the depreciation of utility plant on the basis of the original cost and estimated service life of the various classes of depreciable property in accordance with the Uniform Systems of Accounts prescribed by the Federal Power Commission and other regulatory authorities having jurisdiction.

The annual rates used in computing depreciation on the major classes of property during 1949, 1950 and 1951 (to June 30), were as follows:

Structures and improvements—steam plants	2.00%
Boiler plant equipment	3.03%
Turbo-generator units	2.50%
Reservoirs, dams and waterways	1.25%
Station equipment—transmission	3.03%
Poles and fixtures—transmission	2.86%
Poles, towers and fixtures—distribution	3.33%
Overhead conductors and devices—transmission	2.00%
Overhead conductors and devices—distribution	2.50%
Buses	12.50%

DEPLETION: The Company and its subsidiaries have no property subject to depletion.

AMORTIZATION: It is the policy of the Company and its subsidiaries to amortize franchises by charges to operating expenses computed on the basis of the original cost and the life of each franchise.

COMMITMENTS: It is not the policy of the Company or its subsidiaries to make future commodity commitments which may materially affect their financial position but they do make commitments for the purchase of plant and equipment in connection with their construction programs. In the normal course of the companies' business, it is not necessary to expand working capital through short-term loans, but such loans have been made pending long-term financing of construction expenditures.

VALUATION OF INVENTORIES: The inventories of the Company and its subsidiaries are carried on their books at average cost.

METHOD OF COMPUTING COST OF GOODS SOLD: The Company and its subsidiaries sell appliances as an incident to the furnishing of utility services. The cost of the appliances sold is computed on the basis of average cost.

MARKETABLE SECURITIES: The Company and its subsidiaries have no marketable securities.

CONSOLIDATION: The consolidated financial statements contained in this application include the accounts of the Company and its two wholly owned subsidiaries. The Company has no other subsidiaries. All the companies consolidated follow the same principles of accounting.

OPERATING REVENUES: Since January 1, 1951, the Company and its subsidiaries have followed the policy (commonly followed by the utility industry) of taking into their accounts revenues from the sale of electricity, gas and steam only as bills are rendered to consumers. Prior to that date the Company and its subsidiaries followed the policy of taking into their accounts revenue as it accrued. The unbilled revenue carried on the books at January 1, 1951 was charged to earned surplus.

FINANCIAL STATEMENTS

The following financial statements are included in this Listing Application:

Summary of earnings for the five years and six months ended June 30, 1951.

Report of Independent Certified Public Accountants.

Certificate of Company's Controller.

Consolidated balance sheets as of June 30, 1951 (not audited), December 31, 1950 and December 31, 1949.

Consolidated statements of income for the six months ended June 30, 1951 (not audited), the year ended December 31, 1950 and the year ended December 31, 1949.

Consolidated statements of surplus for the six months ended June 30, 1951 (not audited), the year ended December 31, 1950 and the year ended December 31, 1949.

SUMMARY OF EARNINGS

The following summary of earnings of the Company and its subsidiaries for the five years ended December 31, 1950 has been compiled from financial statements included in annual reports to stockholders which have been examined by Deloitte, Plender, Griffiths & Co., Independent Certified Public Accountants, but it does not present all information contained in such financial statements. The summary for the six months ended June 30, 1951 has been prepared from the financial statements for that period contained in this Listing Application. The summary should be read in conjunction with the financial statements for the years 1949 and 1950 and the six months ended June 30, 1951 which are included in this Listing Application.

	Operating Revenues	Operating Expenses (exclusive of taxes)	Taxes Other Than Income Taxes	Provision for Income Taxes	Other Income	Gross Income	Deductions from Gross Income	Net Income
Year Ended December 31,								
1946	\$ 9,147,167	\$5,430,430	\$ 827,572	\$ 88,785	\$48,602	\$2,848,982	\$2,465,771	\$ 383,211
1947	10,101,789	6,320,902	948,428	95,860	99,149	2,835,748	2,499,834	335,914
1948	11,270,595	7,207,548	1,118,455	50,710	68,460	2,962,342	1,436,153	1,526,189
1949	12,638,212	7,680,163	1,182,992	862,100	33,822	2,946,779	1,252,577	1,694,202
1950	13,773,534	8,537,159	1,307,793	871,055	36,986	3,094,513	1,226,545	1,867,968
Six Months ended June 30, 1951 (not audited) ..	7,539,006	4,536,910	769,878	706,410	17,252	1,543,060	539,298	1,003,762

Note: The income tax provisions for 1946-1948 were reduced as a result of the inclusion of the companies in consolidated Federal income tax returns of Ogden Corporation (former parent company) and as a result of the deductibility for tax purposes of special charges made directly to surplus on the books. See page 32 with respect to the contingent liability for prior year's Federal income tax.

The changes in deductions from gross income in 1948 (interest on long-term debt, amortization charges, etc.) resulted principally from the consummation on March 31, 1948 of the Plan of Reorganization of the Company.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Interstate Power Company:

We have examined the consolidated balance sheets of Interstate Power Company and subsidiary companies as of December 31, 1949 and December 31, 1950 and the related consolidated statements of income and surplus for the two years ended December 31, 1950. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and consolidated statements of income and surplus present fairly the financial position of Interstate Power Company and subsidiary companies at December 31, 1949 and December 31, 1950 and the results of their operations for the two years ended December 31, 1950, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE, PLENDER, GRIFFITHS & Co.

Chicago, Illinois,
February 21, 1951.

CERTIFICATE OF THE COMPANY'S CONTROLLER

I, Sanford Miles, Controller and chief accounting officer of Interstate Power Company, do hereby certify that the accompanying consolidated balance sheet as of June 30, 1951 and consolidated statements of income and surplus for the six months then ended were prepared under my direction and, to the best of my knowledge and belief, fairly present, subject to year-end adjustments, the financial position of Interstate Power Company and subsidiary companies as of June 30, 1951 and the results of their operations for the six months ended that date.

SANFORD MILES

Dubuque, Iowa; September 28, 1951.

INTERSTATE POWER COMPANY AND SUBSIDIARY COMPANIES
Consolidated Balance Sheets as of June 30, 1951, December 31, 1950 and December 31, 1949

ASSETS			
	June 30, 1951 (not audited)	December 31, 1950	December 31, 1949
Utility Plant:			
Original cost of plant:			
Electric	\$52,269,174	\$50,322,840	\$45,040,580
Manufactured gas	1,276,698	1,516,959	1,512,702
Natural gas	696,217	676,229	622,918
Bus	701,870	701,401	663,897
Steam heat	172,316	172,316	172,597
	55,116,275	53,389,745	48,012,694
Less: Reserves for depreciation	9,560,019	9,118,200	8,614,100
Utility plant less reserves	45,556,256	44,271,545	39,398,594
Investment and Fund Accounts:			
Physical property (less depreciation)	56,819	57,163	67,719
Deposits with Trustee for bondholders	71,897	71,822	70,846
Securities, at cost or less	954	954	954
Total investment and fund accounts	129,670	129,939	139,519
Current Assets:			
Cash (including working funds)	3,095,767	1,455,987	3,273,245
Special deposits for payment of interest and dividends	572,500	573,194	647,209
Accounts receivable:			
Customers	1,003,954	1,089,580	585,942
Miscellaneous	6,048	23,356	18,258
Less: Reserves for uncollectible accounts (credit)	(33,394)	(35,309)	(39,615)
Unbilled utility revenue—estimated	—	525,238	758,195
Fuel, at average cost	762,070	1,082,978	767,147
Other materials and supplies for construction and operation, at average cost	745,339	618,575	609,276
Merchandise for resale, at average cost	154,853	125,008	82,089
Prepayments	146,221	93,154	98,290
Total current assets	6,453,358	5,551,761	6,800,036
Deferred Debits:			
Unamortized discount and expense on long-term debt	65,703	69,099	128,295
Unamortized cost of office alterations	48,712	52,887	50,607
Miscellaneous	19,360	—	—
Total deferred debits	133,775	121,986	178,902
	\$52,273,059	\$50,075,231	\$46,517,051

LIABILITIES			
Capital Stock and Surplus:			
Preferred stock, par value \$50.00 per share:			
Authorized—250,000 shares			
Issued and outstanding—100,000 shares of 4.70% stock	\$ 5,000,000	\$ 5,000,000	\$ —
Common stock, par value \$3.50 per share:			
Authorized—5,000,000 shares			
Issued and outstanding—2,075,000 shares, 1950 and 1951; 1,800,000 shares, 1949	7,262,500	7,262,500	6,300,000
Premium on common stock	2,783,720	2,783,720	1,295,970
Capital surplus	359,941	359,941	359,941
Earned surplus from March 31, 1948	1,653,780	1,919,584	1,652,829
Total capital stock and surplus	17,059,941	17,325,745	9,608,740
Long-Term Debt:			
First Mortgage Bonds:			
3½% Series due 1978	20,000,000	20,000,000	20,000,000
3% Series due 1980	3,000,000	3,000,000	—
4½% Series due 1978	—	—	5,000,000
3¾% Secured Debentures due 1968 (Interest rate reduced from 4¾% on June 6, 1950)	5,000,000	5,000,000	5,000,000
Total long-term debt	28,000,000	28,000,000	30,000,000
Current Liabilities:			
Collateral promissory notes—banks	—	—	2,400,000
Notes payable	2,500,000	—	—
Accounts payable—trade	366,658	644,455	524,642
Dividends payable	58,750	58,750	39,181
Customers' deposits	482,231	474,225	451,616
Payrolls accrued	217,431	192,508	191,255
Interest accrued	577,467	568,701	642,903
Taxes accrued (See note, page 31)	2,291,400	2,098,188	1,961,300
Other current liabilities	105,296	99,852	57,848
Total current liabilities	6,599,283	4,136,679	6,268,745
Deferred Credits:			
Unamortized premium, less expense, on long-term debt	159,271	167,483	157,488
Customers' advances and prepaid service charges	269,932	263,670	272,278
Miscellaneous	32,546	29,605	25,047
Total deferred credits	461,749	460,758	454,813
Reserves:			
Injuries and damages	100,639	95,602	88,389
Pensions	—	—	45,000
Total reserves	100,639	95,602	133,389
Contributions in Aid of Construction	51,447	51,447	51,364
	\$52,273,059	\$50,075,231	\$46,517,051
Contingent Liabilities (see page 32)			

Note: Commitments for the purchase of major items of plant and equipment amounted to approximately \$2,900,000 at December 31, 1949, \$2,500,000 at December 31, 1950 and \$3,500,000 at June 30, 1951.

INTERSTATE POWER COMPANY AND SUBSIDIARY COMPANIES

Consolidated Statements of Income for the Six Months Ended June 30, 1951,
the Year Ended December 31, 1950 and the Year Ended December 31, 1949

	Six Months Ended June 30, 1951 (not audited)	Year Ended	
		December 31, 1950	December 31, 1949
Operating Revenue:			
Electric	\$6,734,065	\$12,458,326	\$11,421,047
Manufactured gas	163,039	339,710	327,132
Natural gas	302,785	428,890	347,516
Bus	276,580	470,127	477,232
Steam heat	57,537	76,481	65,285
Total operating revenue	7,539,006	13,773,534	12,638,212
Operating Expenses and Taxes:			
Operation	2,850,686	5,277,909	4,788,577
Electricity and gas purchased for resale	529,754	1,050,916	943,184
Maintenance	448,680	935,014	804,676
Depreciation	707,790	1,273,320	1,143,726
Taxes, other than income taxes	769,878	1,307,793	1,182,992
Federal and state income taxes (Federal excess profits tax—none) (See note below)	706,410	871,055	862,100
Total operating expenses and taxes	6,013,198	10,716,007	9,725,255
Operating Income—See special charge below	1,525,808	3,057,527	2,912,957
Other Income:			
Profit on merchandising and jobbing	13,910	35,696	31,780
Miscellaneous (net)	3,342	1,290	2,042
Gross Income—See special charge below	1,543,060	3,094,513	2,946,779
Deductions from Gross Income:			
Interest on bonds and debentures	513,750	1,118,778	1,212,500
Other interest	40,281	60,828	59,089
Interest charged to construction (credit)	(23,634)	(132,549)	(37,910)
Amortization of discount, premium and expenses on long-term debt (net)	344	1,838	2,409
Special charge—portion of call premium and unamor- tized expenses, applicable to bonds redeemed, equiv- alent to the reduction in Federal and state income taxes applicable thereto	—	156,979	—
Miscellaneous	8,557	20,671	16,489
Total deductions from gross income	539,298	1,226,545	1,252,577
Net Income	\$1,003,762	\$ 1,867,968	\$ 1,694,202

Note: The provision for Federal income tax made in the above statement for the six months ended June 30, 1951 was calculated at the tax rates specified in the law then in effect. A revenue bill now before Congress would, if enacted, increase the tax rate to 50.75% retroactively to January 1, 1951, and this would require an additional tax provision of approximately \$54,000 for the six months ended June 30, 1951.

INTERSTATE POWER COMPANY AND SUBSIDIARY COMPANIES
Consolidated Statements of Surplus for the Six Months Ended June 30, 1951,
the Year Ended December 31, 1950 and the Year Ended December 31, 1949

Capital Surplus	Six Months Ended	Year Ended	
	June 30, 1951 (not audited)	December 31, 1950	December 31, 1949
Balance at beginning of period.....	\$ 359,941	\$ 359,941	\$ 430,281
Deduct:			
Adjustment of accrued expenses applicable to period prior to March 31, 1948	—	—	70,340
Balance at end of period.....	<u>\$ 359,941</u>	<u>\$ 359,941</u>	<u>\$ 359,941</u>
Earned Surplus from March 31, 1948			
Balance at beginning of period.....	\$ 1,919,584	\$ 1,652,829	\$ 939,268
Add:			
Net income for the period.....	1,003,762	1,867,968	1,694,202
	<u>2,923,346</u>	<u>3,520,797</u>	<u>2,633,470</u>
Deduct:			
Cash dividends:			
On common stock (15 cents per share per quarter on the stock outstanding).....	622,500	1,203,750	945,000
On preferred stock	117,500	133,819	—
Expenses of issuance of preferred stock and additional common stock	4,328	61,501	33,941
Call premium and unamortized expenses applicable to bonds redeemed, less amount of special charge against earnings shown in statement of income.....	—	193,956	—
Unbilled utility revenue written off as of January 1, 1951	525,238	—	—
Loss on sales of property.....	—	8,187	1,700
	<u>1,259,566</u>	<u>1,601,213</u>	<u>980,641</u>
Balance at end of period	<u>\$ 1,653,780</u>	<u>\$ 1,919,584</u>	<u>\$ 1,652,829</u>

Contingent Liabilities

The Treasury Department has asserted certain income tax deficiencies against the companies for the years 1942-1945, and, if these deficiencies are sustained, it is anticipated that further deficiencies based on similar grounds will be asserted for subsequent years. Tax reserves are available to cover certain of the deficiencies but provision has not been made in the financial statements against the possibility that the below mentioned contentions of the Treasury Department, both of which (among other items) the companies intend to contest, may ultimately be upheld:

(a) The contention that the companies should not have been included in the consolidated tax returns of Ogden Corporation (former parent company now in process of dissolution) up to March 31, 1948, the date the companies ceased to be subsidiaries of Ogden. Should this contention be upheld the additional tax payable would be approximately \$685,000, exclusive of interest. On the other hand, the sum of \$124,551, being the companies' share of consolidated taxes previously paid to Ogden, would be repayable to them by Ogden.

(b) The contention that interest paid by the Company to Ogden up to March 31, 1948, on an unsecured demand note (which interest has been deposited in escrow by Ogden) is not an allowable deduction for tax purposes. Should this contention be upheld the additional tax payable would be approximately \$350,000, exclusive of interest.

In the event that any additional tax provision is required upon settlement of the tax liabilities of the companies, the portion applicable to the period prior to March 31, 1948, will be charged to capital surplus (to the extent thereof) and the remainder, if any, will be charged to earned surplus, or earnings, as may be appropriate.

Post Audit Note

Ogden Corporation, former parent of the Company, has filed with the Securities and Exchange Commission a petition, dated August 8, 1951, requesting that the Commission allocate to the Company liability to pay such fees and expenses as may be allowed certain of the parties to the proceedings concluded before the Commission in 1951 whereby the respective rights of former security holders of the Company to certain escrowed assets, including common stock of the Company, were determined. The Company opposes the position of Ogden. Certain substantial claims for fees and expenses have been filed with the Commission but the action which the Commission or a court of competent jurisdiction may take on such claims and on the petition of Ogden cannot be foreseen at this time.

GENERAL

The Company's fiscal year ends December 31.

The principal business address of the Company is 1000 Main Street, Dubuque, Iowa.

The statutory address of the Company is No. 100 West Tenth Street, Wilmington, Delaware.

The annual meeting of stockholders is held at 327 South LaSalle Street, Chicago, Illinois, on the first Tuesday of May (if not a legal holiday, in which event such meeting shall be held on the next succeeding business day) at two o'clock in the afternoon.

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, constitute a quorum except that if no such majority shall be present or represented at a meeting, the stockholders present in person or by proxy shall have power to adjourn the meeting until a quorum shall attend.

The Chase National Bank of the City of New York and Carl E. Buckley, 11 Broad Street, New York 15, New York, are the Trustees under the Bond Indenture. Principal and interest on the Bonds are payable at The Chase National Bank of the City of New York at its office, 11 Broad Street, New York 15, New York, and at American National Bank and Trust Company of Chicago, 33 North LaSalle Street, Chicago 90, Illinois. Bonds may be presented for registry, transfer, exchange and interchange at The Chase National Bank of the City of New York, 11 Broad Street, New York 15, New York.

Transfer Agents of the Common Stock are:

Manufacturers Trust Company
55 Broad Street, New York 15, N. Y.

American National Bank and Trust Company of Chicago
33 North LaSalle Street, Chicago 90, Illinois.

Registrars of the Common Stock are:

Bankers Trust Company
46 Wall Street, New York 15, N. Y.

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street, Chicago 90, Illinois.

INTERSTATE POWER COMPANY

By B. F. PICKARD
 President.

Sunbeam Corporation

(An Illinois Corporation)

Common Stock

(No Par Value)

Prepared by the Company

for

Midwest Stock Exchange

Sunbeam Corporation has made application to list and register on the Midwest Stock Exchange, upon notice of issuance, 1,000,000 shares of Common Stock, or no par value, which application was approved by the Executive Committee of the Exchange on March 13, 1952.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Sunbeam Corporation

(an Illinois Corporation)

Common Stock

(No Par Value)

LISTING

Reference is hereby made to previous listing application of Sunbeam Corporation (then Chicago Flexible Shaft Company) covering 180,000 shares of its Common Stock, of a par value of \$5.00 per share, which was approved by the Governing Committee of The Chicago Stock Exchange on September 5, 1929; to previous application to list 540,000 shares of Common Stock of no par value, approved by the Executive Committee of The Chicago Stock Exchange on July 25, 1944; to previous application to list 135,000 shares of Common Stock of no par value, approved by the Executive Committee of the Chicago Stock Exchange on February 24, 1949; and to previous application to list 225,000 shares of Common Stock of no par value, approved by the Executive Committee of the Midwest Stock Exchange (formerly The Chicago Stock Exchange) on February 27, 1950.

The Company has made application to list 1,000,000 additional shares of its Common Stock of no par value on the Midwest Stock Exchange, all of which are to be registered upon notice of issuance, which application was approved by the Executive Committee of the Exchange on March 13, 1952.

CAPITALIZATION

The capitalization of the Company as of April 7, 1952, is as follows:

	<u>Authorized</u>	<u>Issued and out- standing as of April 7, 1952</u>	<u>Segregated for purposes of Stock Option Plan as of March 21, 1952</u>
Common Stock, no par value.....	3,000,000	1,800,000*	100,000*

* This is based on the assumption that none of the 36,960 shares of Common Stock with regard to which options have been granted under the Key Employee Restricted Stock Option Plan will have been exercised and stock issued and of record to the optionee by the close of business on March 21, 1952.

PURPOSE OF ISSUANCE

The Stockholders having approved an amendment to the Articles of Incorporation increasing the authorized stock of the Company to 3,000,000 shares of Common Stock of no par value, the Board of Directors on February 27, 1952, declared a stock split of two for one on the outstanding Common Stock of the Company, issuable as of April 7, 1952, to the holders of Common Stock of record at the close of business on March 21, 1952. 900,000 of the additional 1,000,000 shares, which are the subject of the application, will be issued and distributed by reason of said stock split, the certificates being mailed by the Company's Chicago Transfer Agent on April 4, 1952. On the same date the Directors set aside 50,000 shares for the purposes of the Key Employee Restricted Stock Option Plan approved by the Stockholders of the Company on February 27, 1952. By virtue of the stock split, the number of shares so segregated for the purposes of the Plan, as of the close of business on March 21, 1952, become an aggregate of 100,000 shares. There will be no transfers from earned surplus to stated capital or any change in stated capital by reason of the issuance of the said 900,000 stock split shares. Upon the exercise of any or all of the options with respect to the 100,000 shares segregated for the purposes of the Key Employee Restricted Stock Option Plan, the consideration received by the Company upon such exercise will be credited to stated capital.

OPINION OF COUNSEL

Messrs. Hay, Morton, Finn and Van Mell, attorneys at law, of Chicago, Illinois, have stated that the issuance of said 1,000,000 shares of Common Stock has been properly authorized and the shares when issued in accordance with the terms of such authorization will be fully paid and non-assessable.

Chicago

National Alfalfa Dehydrating and Milling Company

Common Stock

(Par Value \$1 Per Share)

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UNIVERSITY OF ILLINOIS

Prepared by the Company

for

Midwest Stock Exchange

This application was approved by the Executive Committee of Midwest Stock Exchange on July 23, 1952.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.



National Alfalfa Dehydrating and Milling Company

Common Stock (Par Value \$1 Per Share)

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY, a Delaware corporation (hereinafter called the "Company"), hereby makes application for the listing on the Midwest Stock Exchange of:

712,800 shares of its common stock, par value \$1 per share, all of which are issued and outstanding.

ATTACHED PROSPECTUS

Attached hereto and made a part hereof is the prospectus of the company dated May 22, 1952 relating to the sale of 69,800 shares of its common stock. References are herein made to this prospectus for certain information concerning the company and its operations.

OPINION OF COUNSEL

There has been filed with the Midwest Stock Exchange the opinion of Lewis A. Dick, Esq., attorney-at-law, 520 Equitable Building, Denver 2, Colorado, to the effect that the company is a duly organized and existing corporation under the laws of the State of Delaware and is duly authorized and lawfully entitled to carry on the business for which it was organized; that the company has an authorized capital stock of 56,369 shares of 5% Cumulative Preferred Stock, par value \$50 and 763,000 shares of common stock \$1 par value; that the 712,800 issued shares of common stock for the listing of which application is hereby made, have been validly issued and are fully paid and non-assessable, with no personal liability attaching to the owners thereof, under the laws of Delaware, where the company is incorporated, or under the laws of Colorado, where its principal executive offices are located; that the shares covered by this listing application were at all times of their issuance either registered under the Securities Act of 1933, as amended, or exempt from registration thereunder; and that the said 712,800 issued shares of common stock covered by this application are included in an application for registration under the Securities Exchange Act of 1934 filed with the Securities and Exchange Commission. Mr. Lewis A. Dick is a member of the firm of Pershing, Bosworth, Dick & Dawson. Mr. Robert G. Bosworth, another member of said firm, is a Vice-President and Director of the company.

STATUS UNDER FEDERAL ACTS

Of the 712,800 shares of common stock outstanding, 575,020 shares have been duly registered under the Securities Act of 1933, as amended; 505,220 shares by Registration Statement No. 2-6567 effective November 19, 1946; and 69,800 shares by Registration Statement No. 2-9584, which became effective May 22, 1952. Due to circumstances under which the remaining 137,780 unregistered shares of common stock were originally issued, it is the opinion of counsel for the company that registration thereof under said Act was not required.

An application on Form 10 for the registration of all of the shares of common stock covered by this application under the Securities Exchange Act of 1934 has been filed with the Securities and Exchange Commission.

HISTORY AND BUSINESS

The company was organized under the laws of the State of Delaware on May 4, 1946, with a perpetual charter. Its principal executive offices are at Lamar, Colorado.

The company was organized to and did acquire certain alfalfa milling properties and assets from Pecos Valley Alfalfa Mill Company and the Denver Alfalfa Milling and Products Division of Ralston Purina Company.

OUTLINE OF OPERATIONS

See heading "The Company's Business" (pp. 8-9) in attached prospectus.

Since the date of the prospectus National Alfalfa Dehydrating and Milling Company has transferred to National Chlorophyll and Chemical Company all of its inventories and facilities for the extraction and production of chlorophyll, together with the extraction process theretofore developed by National Alfalfa. National Alfalfa Dehydrating and Milling Company now is the owner of 46⅔% of the outstanding common capital stock of National Chlorophyll.

Under date of March 26, 1952, National Alfalfa entered into an agreement with National Chlorophyll, wherein National Chlorophyll agreed to buy from National Alfalfa dehydrated alfalfa meal in quantities sufficient to meet the needs of National Chlorophyll for the purpose of processing the same for the extraction of chlorophyll. Under the terms of this agreement, National Chlorophyll will pay National Alfalfa for all dehydrated meal purchased by it the current market price therefor. The contract further provides that National Chlorophyll will sell to National Alfalfa all quantities of residue meal after chlorophyll has been extracted from the same at the then current market price. This contract is to be in effect for a ten year term and thereafter until either party shall elect to terminate the same.

PROPERTIES

See heading "The Company, Its Organization and Properties" (pp. 6-7) in attached prospectus.

Since the date of the prospectus the company has acquired two additional operating mills and plants, one at Brady, Nebraska, the other at Valley, Nebraska. Both millsites are on railroad property with indefinitely renewable leases. Mill buildings are fully owned by the company with right of removal on termination of lease. Thus, the company now owns 39 mills of which 34 are in active operation.

In addition, the company has acquired a new blending plant at Lexington, Nebraska. This plant site is likewise on railroad property with indefinitely renewable lease and right in company to remove its buildings on termination of lease.

SUBSIDIARY COMPANIES

The company owns all of the outstanding capital stock of the Denver Alfalfa Milling and Products Company, a non-operating and inactive subsidiary.

The company owns 305,000 shares (46⅔%) of 654,500 outstanding shares of the common stock of National Chlorophyll and Chemical Company, an affiliated company recently organized to manufacture chlorophyll from alfalfa meal.

To the extent the information is available to the applicant, no corporation, individual or other entity owns, directly or indirectly, 10% or more of the voting stock of the applicant.

While Paine, Webber, Jackson and Curtis, a New York investment firm, held of record as of July 1, 1952, 86,408 shares of the common stock of the company (being 11¼% of the company's stock entitled to vote), the company has been advised that such record holdings of that firm are for the accounts of various customers who have purchased and now own such shares, but no one of whom owns 10% of the voting stock of the company, directly or indirectly.

MANAGEMENT

See heading "Officers and Directors" (p. 16) in attached prospectus. All directors and officers were re-elected at the annual meeting of stockholders and the annual organization meeting of the Board of Directors held on July 22, 1952.

EMPLOYEE RELATIONS

On July 1, 1952 the company had approximately 1177 employees paid on an hourly basis and 116 on a salary basis. Of the total of 1293 employees, approximately 90% are employed in milling operations. It is estimated that 56% of salaried employees and 9% of hourly-paid employees have been with the company for at least five years.

The company has a contributory Group Life Insurance Plan covering all employees, salaried or otherwise, who have been employed for at least twelve months.

A Retirement Annuity Plan was established under a life insurance contract with The Metropolitan Life Insurance Company, effective June 1, 1946. This Plan covers all regular full time employees (including officers) who have at least three years' continuous service or who meet certain other requirements. The Plan provides for monthly retirement income for life for male employees at age 65 and female employees at age 60. Monthly retirement payments are based upon specified percentages of annual earnings and length of service. The Plan is intended to supplement social security benefits. The company pays the entire cost on earnings up to \$3,000 per year; for employees earnings over \$3,000 the cost is borne jointly by the company and covered employees. The company reserves the right to change or discontinue the Plan at any time. This Plan is qualified under Section 165(a) of the Internal Revenue Code.

The company has no bonus, profit sharing or stock purchase plans.

STOCKHOLDER RELATIONS

Each stockholder of the company receives an annual report which includes financial statements.

For each meeting of the stockholders the company sends to each stockholder a notice of meeting and a form of proxy enabling the stockholder to vote by proxy if he is unable to attend the meeting in person.

Declaration of dividends is given publicity by immediate notice to the press and the financial services and publication of announcements in leading newspapers. Other press releases are made from time to time relating to the company and its activities.

Correspondence from stockholders of the company is answered generally by the President or the Secretary or counsel of the company, but special questions relating to stock transfers, dividends, etc. may be referred to one of its transfer agents for reply.

DIVIDEND RECORD

The company has paid no cash dividends on its common stock in the past five years. In 1947 it paid two dividends of 18¢ per share each on February 1st and May 1st, aggregating \$231,480.00.

Since its inception the company has paid regular quarterly dividends upon its preferred stock, the present quarterly rate being 62½¢ per share. The first such dividend was paid on September 1, 1946.

CAPITALIZATION

The capitalization of the company is shown on page 11 of the attached prospectus, reference to which is hereby made.

Subsequent to the date of the prospectus and at a meeting of stockholders held on July 22, 1952, the Articles of Incorporation were amended so as to increase the number of authorized shares of common stock to 1,000,000.

OPTIONS, WARRANTS AND RIGHTS

The company has no commitments which require it to issue any of its securities under the terms of options, purchase warrants, conversion rights or other commitments.

FUNDED DEBT

The company has no funded debt.

DESCRIPTION OF COMMON STOCK

The company has authorized and outstanding both common stock (for which application for listing is made) and 5% Cumulative Preferred Stock (which is not being listed).

Descriptions of the principal features of each class of stock are set forth under the heading "Capital Stock Being Registered" (pp. 12-14) of the attached prospectus, to which reference is hereby made.

LITIGATION

See heading "Pending Legal Proceedings" (p. 17) in attached prospectus.

BUSINESS, FINANCIAL AND ACCOUNTING POLICIES

See "Notes Forming Part of Financial Statements" (pp. 24-26) of attached prospectus.

FINANCIAL STATEMENTS

The company submits the following financial statements certified by Peat, Marwick, Mitchell & Co., independent public accountants:

1. Balance Sheet as at April 30, 1952.
2. Statement of Earnings for fiscal years ended April 30, 1949, 1950, 1951 and 1952.
3. Statement of Earnings Retained for Use in the Business for four years ended April 30, 1952.
4. Statement of Capital in Excess of Par Value for four years ended April 30, 1952.
5. Notes to Financial Statements, Fiscal Year ended April 30, 1952.
6. Auditor's Report dated May 20, 1952.

Unaudited Summary of Sales and Earnings since the inception of the company, May 4, 1946, are also submitted as part of the application.

PROSPECTUS

69,800 Shares

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

Common Stock

Par Value \$1.00 Per Share

The company is offering to its stockholders, both preferred and common, who are such stockholders on May 15, 1952, the right to subscribe for additional shares of its common stock in the ratio of one new share of common stock for each ten shares of preferred and common presently held and otherwise on the terms set forth herein under the caption "Nature of Offer to Stockholders and Plan of Distribution." It will be noted that this offer is tied in with and made a part of an offer to the stockholders of National Alfalfa Dehydrating and Milling Company to subscribe for shares of the common stock of a new corporation, namely, National Chlorophyll and Chemical Company in the ratio of one share of said stock for each two shares of the stock of National Alfalfa Dehydrating and Milling Company owned by the said stockholder. This, likewise is fully explained herein under the caption "Nature of Offer to Stockholders and Plan of Distribution" to which reference is made. Warrants evidencing the subscription rights above referred to will expire and become void if not exercised by 3 o'clock P. M. Eastern Standard Time or 1 o'clock P. M. Mountain Standard Time, June 17, 1952.

	<u>Subscription Price</u>	<u>Underwriting Commissions</u>	<u>Proceeds to Company</u>
Per Share (1)	\$9.00 (1) (3)	None	\$9.00
Total	\$628,200.00	None	\$628,200.00 (2)

- (1) Shares of National Alfalfa Dehydrating and Milling Company common stock will be offered for subscription only with shares of common stock of National Chlorophyll and Chemical Company as part of a unit or package consisting of one share of National Alfalfa common at \$9.00 per share and five shares of National Chlorophyll common at \$2.00 per share, or a total subscription price of \$19.00 per unit, of which \$9.00 will be proceeds to registrant.
- (2) Before deductions of expenses of the company which are estimated at \$18,200.
- (3) The price range of registrant's common stock for the four quarters commencing April 1, 1951 and on April 10, 1952 is as follows:

	<u>April 1, 1951 to June 30, 1951</u>	<u>July 1, 1951 to Sept. 30, 1951</u>	<u>Oct. 1, 1951 to Dec. 31, 1951</u>	<u>Jan. 1, 1952 to March 31, 1952</u>	<u>April 10, 1952</u>
High.....	4 ³ / ₈	6 ³ / ₄	10 ¹ / ₂	16 ³ / ₈	Asked 15 ¹ / ₄
Low.....	3 ¹ / ₈	4 ³ / ₈	5 ³ / ₄	10 ¹ / ₂	Bid 15

In exercising the subscription rights upon the pro-rata basis above stated, each such stockholder in a space provided in the warrant will have the right to subscribe for such additional units as the stockholder may desire to purchase, but if such additional subscriptions result in oversubscription of the 69,800 authorized units, the company will scale down such additional subscriptions. If less than the 69,800 units are not thus subscribed, the unabsorbed balance of the common stock of registrant will be offered for subscription and purchase as the Board of Directors may determine, but not at a price less than the public offering price of \$9.00 per share above stated.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is May 22, 1952.

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by the company or anyone connected therewith. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in any state to any person to whom it is unlawful to make such offer or solicitation in such state.

This Prospectus does not constitute an offer by the company to sell securities in any state to any person to whom it is unlawful for the company to make such offer in such state.

The Prospectus, except where the context otherwise requires, speaks only as of the date thereof.

This Prospectus contains information concerning the company and its common stock, also some information concerning the new corporation, National Chlorophyll and Chemical Company, formed for the purpose of the production of chlorophyll and other pigments and chemical properties derived primarily and in large part from alfalfa, and in which National Alfalfa Dehydrating and Milling Company will be a substantial stockholder. This Prospectus does not, however, contain all of the information set forth in the Registration Statement and Exhibits and Schedules relating thereto which the company has filed with the Securities and Exchange Commission, Washington, D. C. under the Securities Act of 1933, as amended, and to which reference is hereby made.

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NATURE OF OFFER TO STOCKHOLDERS AND PLAN OF DISTRIBUTION

National Alfalfa Dehydrating and Milling Company, registrant (hereinafter sometimes called the company and also sometimes called National Alfalfa) will offer to the holders of its preferred and common stock who are such stockholders on May 15, 1952, the right to purchase one share of common stock of National Alfalfa at the price of \$9.00 per share for each ten shares of the preferred and common of National Alfalfa stock owned by them, together with the right to buy at the price of \$2.00 per share one share of the common stock of a new corporation, National Chlorophyll and Chemical Company (hereinafter sometimes called National Chlorophyll) for each two shares of the preferred and common stock of National Alfalfa then owned by the stockholder.

The right of such stockholder, during the life of the warrants, to subscribe will be limited to subscriptions for full units consisting of one share of National Alfalfa common and five shares of National Chlorophyll common at a total subscription price of \$19.00 per unit.

The rights to subscribe will be evidenced by subscription certificates or warrants each evidencing one-tenth share of National Alfalfa common and one-half share of the common stock of National Chlorophyll and Chemical Company. One such warrant or right will be issued for each share of preferred and each share of common of National Alfalfa owned by such stockholder and ten such rights will be required to entitle the stockholder to subscribe for each unit. These warrants or rights will be fully transferable and may be sold or may be combined with other similar rights to make one subscription unit. Fractional shares will not be issued. Rights may be bought or sold through banks, brokers or investment houses. For the convenience and at the request of the warrant holders, the subscription agents will buy not in excess of nine rights in any one transaction and sell rights for the account of such warrant holders. In buying (not in excess of nine) and selling rights the subscription agents may offset orders and buy or sell any balance resulting through brokers and investment houses in the usual course of business. The subscription agents will not make any charge to stockholders for this service.

In addition, each warrant will contain a space in which the stockholder may subscribe for such additional units, as above defined, as the stockholder may desire to purchase, the company reserving the right, in case of oversubscription, to scale down such additional subscriptions proportionately with appropriate refund of the subscription price. If the offering be undersubscribed and there be an unabsorbed balance of the company's registered common stock remaining, the company will offer such unabsorbed balance for subscription and purchase in such manner as the Board of Directors may determine, not however, at less than the public offering price of \$9.00 per share.

No sales of the common stock of the company will be made under this offering other than for cash. No underwriting contract or commissions will be entered into by the company and no commissions will be paid by the company in connection with this offering.

All warrants will be issued by the company's transfer and warrant agents, who are:

The International Trust Company,
17th and California Streets,
Denver, Colorado.

The Chase National Bank of the City of New York,
11 Broad Street,
New York, New York.

All subscription rights under the said warrants will expire and become void if not exercised by 1 o'clock P. M. Eastern Standard Time or 1 o'clock P. M. Mountain Standard Time on June 17, 1952.

In order to exercise warrants, holders thereof must surrender the same on or prior to the expiration date to The Chase National Bank of the City of New York or The International Trust Company, Denver, Colorado, the transfer and warrant agents hereinabove named, in each case accompanied by cash or check or United States Postal Money Order for United States funds in payment of the full subscription price of all shares subscribed for.

AMOUNT OF OFFERING AND USE OF PROCEEDS

National Alfalfa, as of the date of this prospectus, has outstanding 55,000 shares of 5% cumulative preferred stock (excluding 1369 shares held in treasury) and 643,000 shares of common stock, or a total number of shares of both classes outstanding of 698,000 shares. The company has authorized but not issued common stock in the amount of 120,000 shares. Accordingly, on the basis of one additional share for each ten shares of its capital stock outstanding, National Alfalfa will offer for purchase as aforesaid 69,800 shares of its authorized but unissued common stock at the price of \$9.00 per share, or a total aggregate price of \$628,200. The expenses of this financing to be borne by National Alfalfa are estimated at \$18,200, leaving an aggregate net proceeds of \$610,000 which will be used for the purchase at the public offering price of \$2.00 per share of 305,000 shares of the common stock of National Chlorophyll and Chemical Company. National Alfalfa, by resolution of the Board of Directors, is committed to purchase the 305,000 shares of National Chlorophyll's common stock at the price aforesaid whether or not the proceeds from the sale of its common stock are sufficient for such purpose, using its other funds, if need be, to complete such purchase.

National Chlorophyll, under the plan aforesaid, having issued and sold to National Alfalfa, as aforesaid, 305,000 shares of its common stock and received in payment therefor the aggregate of \$610,000 will concurrently receive from its offer to the holders of National Alfalfa stock on the basis stated above (see caption "Nature of Offer to Stockholders and Plan of Distribution") \$698,000 in payment for 349,000 shares of National Chlorophyll common at the price of \$2.00 per share sold to such stockholders. It is estimated that the expenses of National Chlorophyll, including costs of organization, qualification in various states and all costs of registration, legal fees, and issuance of said stock will not exceed \$28,000.00. Should the net proceeds of the sale of its common stock by National Chlorophyll under the plan set out above be insufficient to accomplish the full purpose as set out in the succeeding tabulation, National Alfalfa is prepared to give National Chlorophyll the use of National Alfalfa's existing facilities at nominal cost until such time as National Chlorophyll is able to pay therefor at the depreciated cost thereof so that, in such event, the priority in which the actual proceeds will be expended will be, first, the payment of expenses of financing; second, the construction of the new extraction plant; third, working capital in the amount deemed necessary by the Board of Directors of National Chlorophyll; and fourth, lease rental or installment of purchase price of existing facilities, all as may be deemed most advantageous to National Chlorophyll.

National Chlorophyll if all the shares are sold will therefore receive from the sale of its 654,000 shares of common stock (305,000 to National Alfalfa and 349,000 to stockholders of National Alfalfa in accordance with the plan aforesaid) total net proceeds of not less than \$1,280,000 which will be expended by National Chlorophyll for the purchase from National Alfalfa of its existing chlorophyll extraction facilities and inventory, all at its depreciated book cost, the construction of a new and enlarged chlorophyll extraction plant and for working capital. The proposed plant will be constructed at Lamar, Colorado, will consist of a main factory building of steel and concrete construction, warehouse facilities adjacent to but separated from the main factory building and certain boilers

evaporators and other equipment used in the extraction process, situated in the open air outside the building as registrant has found advisable. The factory building itself will have approximately 15,000 square feet of floor space and the machinery for equipping the building, including the outside equipment just mentioned, will have a capacity of processing 40 tons of alfalfa meal per day. The warehouses will have a floor space of approximately 6,000 square feet which is deemed adequate, but these warehouses could be later enlarged if found necessary. The entire new plant, warehouses and outside equipment will occupy a plot of land approximately 200 x 300 feet, now owned by registrant, which land is part of the existing chlorophyll extraction facilities to be sold at cost to and purchased by National Chlorophyll and Chemical Company, affiliate of registrant as above stated, and as shown in the tabulation given below. The new plant will be adjacent to and connected with the existing chlorophyll extraction and refining plant of registrant which also will be purchased by National Chlorophyll at registrant's cost less depreciation. Registrant is negotiating with The Vulcan Copper and Supply Company, 120 Sycamore Street, Cincinnati (2), Ohio, for the construction of this new plant, warehouses, machinery and equipment. The latter has surveyed the site and preliminary architectural and engineering plans are now being drawn up, but no detailed plans and specifications for the proposed plant have as yet been prepared or accepted by registrant or by its affiliate, National Chlorophyll and Chemical Company. If the financing plan above described is successfully carried out, construction of the plant will commence in August, 1952. The estimated period necessary for construction is between ten and twelve months. A large part of the materials and machinery is believed to be at present classified by the National Production Authority as Class B, not subject to priorities and available, but it will be necessary to file with said Authority Form CMP 4-C-Construction Project on account of such structural steel as may be necessary, piping, electric wiring and copper and application made for permission to obtain such materials. Such applications will be made as soon as the plans and specifications have progressed to a point which will permit. The critical situation in the steel industry at the present time may alter the situation as above set forth and require registrant to obtain definite priorities which registrant believes can be done due to the important pharmacological and therapeutic uses of chlorophyll. The available supply of labor in the area is adequate.

The estimated cost of the proposed plant of \$998,176.00, as hereafter stated, includes an overall allowance for price increases of materials and other contingencies of approximately 15%. In some classifications, the allowance for contingencies is as high as 20%, while in other categories believed less subject to fluctuation, it is as low as 10%, yet the overall allowance is believed to approximate 15% as above stated. Should the changes in the costs and the availability of materials and labor result in actual costs substantially in excess of those stated, additional funds either will be advanced by registrant from its working capital or will be obtained as proceeds from such additional financing as may be necessary.

A registration statement of National Chlorophyll and Chemical Company covering in detail the offering of National Chlorophyll in accordance with the plan herein set forth is filed with the Securities and Exchange Commission, Washington 25, D. C. coincidentally with the filing of this registration statement, and a copy of the Prospectus of said company is enclosed herewith and reference is made thereto. For the information of all concerned, the estimated expenditure of these net proceeds by National Chlorophyll is as follows:

To National Alfalfa for purchase of existing chlorophyll extraction facilities and inventories at cost less depreciation	\$ 150,000.00
Construction of new and enlarged plant	998,176.00
Working capital	131,824.00
Total	<u>\$1,280,000.00</u>

THE COMPANY, ITS ORGANIZATION AND PROPERTIES

National Alfalfa Dehydrating and Milling Company was incorporated under the laws of Delaware on May 4, 1946, primarily for the purpose of manufacturing, storing, selling and dealing in alfalfa meal. Its principal executive office is in Lamar, Colorado. The company owns 37 mills of which 32 are in active operation. Of the 5 mills not now operated, 2 have been temporarily shut down due to local conditions affecting the supply of alfalfa hay, and the remaining 3 have been largely dismantled and the dehydrating units moved as additional equipment to other operating mills. In addition to the mills owned, the company leases and operates 4 mills. The milling properties of the company which are being operated are located in twelve states and are well distributed from the standpoint of sources of raw materials and transportation. A list of the company's mills, with a statement of the nature of the ownership or interest is as follows:

A. OPERATING MILLS AND PLANTS:

State	Town or City	Title or Interest
Arizona	Chandler	(1)
California	Tracy	Fee
	Marti	Leased (2)
Colorado	Fowler	Fee
	King Center	Fee (5)
	Ordway	Fee
	Cheraw	Fee (5)
	Fort Lyon	Fee
	McClave	Fee
	Wiley	Fee
	North Lamar	Fee
	Wilson Junction	Fee
	Bristol	Fee
	Hartman	Fee
	Johnstown	(1)
	Manzanola	(1)
Idaho	Rupert	(1)
Illinois	McClure No. 1	Fee
	McClure No. 2	Leased (4)
Kansas	Deerfield	Fee
	Garden City	Fee
Michigan	Dundee	Fee
Missouri	Wyatt	Fee
	East Prairie	Fee
Nebraska	Gothenburg	Fee
	Cozad	Fee
	Darr	(1)
	Lexington	(1)
New Mexico	Dexter	Fee

Oklahoma	Pauls Valley	Fee	(1)
	Verden	Fee	
	El Reno	Fee	
	Cherokee	Fee	
Texas	Plainview	Fee	(2)
	Lockney	Fee	
	Carter	Leased	
	Hereford	Leased	
	Muleshoe	Fee	

- (1) Millsite is on railroad property with indefinitely renewable lease. Mill buildings fully owned by company with right of removal on termination of lease.
- (2) Term of lease 5 years commencing January 1, 1951 with preference right to purchase.
- (3) Term of lease 5 years commencing December 1, 1950 with option to purchase.
- (4) Term commencing March 10, 1952, ending December 31, 1955, with option to purchase.
- (5) Temporarily not operating.

B. MILLS PARTIALLY OR TOTALLY DISMANTLED AND EQUIPMENT MOVED TO OTHER MILLS

State	Town or City	Title or Interest
Missouri	Steele	Fee
	Charleston	Fee
New Mexico	Hagerman	Fee

C. BLENDING PLANT

Colorado	Holly	Fee
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D. FARM LANDS

The company leases an aggregate of 1576 acres in the vicinity of its Plainview mill with adequate water for the production of alfalfa. Term of leases 5 years commencing January 1, 1952.

E. EQUIPMENT

In addition to the usual furniture, fixtures and similar equipment incident to any business, the registrant has a substantial quantity of automotive and harvesting equipment located at the various mills and used exclusively in the business of the company. Included in such equipment are the following approximate number of items:

295 Trucks	21 Passenger automobiles
127 Tractors	103 Harvesters

F. GENERAL OFFICES

The company owns its own general office building and research laboratories in Lamar, Colorado. These are not elaborate, but are adequate for the company's purposes.

G. CHLOROPHYLL FACILITIES

The company owns and operates on property owned in fee in Lamar and in North Lamar, Colorado, a pilot plant, a small extraction plant and a refining plant for the extraction and refining of chlorophyll and other derivatives from alfalfa and other agricultural products.

The company is fully qualified and in good standing in all the states in which it owns and leases properties.

THE COMPANY'S BUSINESS

The company manufactures and sells dehydrated and sun cured alfalfa meal of various forms and grades. The bulk of the company's sales is to manufacturers of mixed feeds for poultry, livestock and other animals, alfalfa meal being considered a basic ingredient in many of these feeds because of its high protein and vitamin content. The company is the largest producer of alfalfa meal in the United States.

Sun cured alfalfa meal, as its name implies, is ground from alfalfa hay, which has been dried, stacked, and sun cured, generally in the grower's field, before processing. Dehydrated alfalfa meal is made from green hay immediately upon being harvested and transported to nearby mills of the company, where it is placed in large drums, subjected to sudden extreme heat and thoroughly dehydrated before being blown through conduits to the grinders. Dehydrated meal commands a higher price and is in greater demand than sun cured meal because of its greater retention of pro-vitamin A (carotene) and its maintenance of a fresh, green color, which is a factor in the successful manufacture and marketing of mixed feed. Sun cured alfalfa meal, however, remains an important product, not only because of the demand therefor in certain livestock feeding operations, but also because it supplements supplies during the winter months between the alfalfa growing seasons. During the fiscal year May 1950 to April 30, 1951 the company produced 108,818 tons of dehydrated meal and 44,242 tons of sun cured meal. During the nine months of its current fiscal year (May 1, 1951 to January 31, 1952) the company produced 119,041 tons of dehydrated meal and 28,517 tons of sun cured meal. Inventories are not excessive in the opinion of management but are in line with market demand.

Certain changes and improvements in the company's processes and products have occurred since its organization. The company now compresses into pellets approximately 12½% of the dehydrated meal it manufactures. These pellets are in demand to a large extent for the direct feeding of cattle and hogs, but there is also a substantial demand therefor occasioned by the great advantage both to the manufacturer and to the consumer arising from the facility with which pelleted meal can be transported and stored in bulk. The company now has in operation seven pelleting machines at six of its mills.

The company has blending facilities at its Lexington, Nebr. mill and at one plant at Holly, Colorado, operated exclusively for blending. The vitamin content of alfalfa meal varies from locality to locality and from year to year. By blending, not only is a more uniform product possible, but also the company is permitted to operate in certain localities where the high cost of alfalfa hay is offset by the extremely high vitamin content of the meal produced from such hay. Such high vitamin meal is blended with meals from other localities to raise the overall quality and yet permit the marketing of the blended meal on a competitive basis.

For the purpose of increasing the supplies of alfalfa hay at its Plainview, Texas mill, the company has leased farm lands in the vicinity of that mill aggregating 1576 acres. The lands have adequate water and are suitable for the growing of alfalfa.

In 1949 the company entered into a contract with The Borden Company, (Special Products Division), for the purchase of Betanal and the mixing thereof with alfalfa meal. It is believed that meal

treated has an increased nutritive value. In addition to the purchase price for Betanal, The Borden Company receives a royalty upon each ton of meal so treated and sold. Due to the increased cost, there has been sales resistance, but sales of the product have increased. The product is marketed under the trade name "Alfax". The term of the contract is three years subject to constant yearly renewal.

In 1952, the company entered into a similar contract with The Borden Company for the purchase of Paramix, a trade-marked product of The Borden Company and the blending thereof with alfalfa. This product is also believed to increase the nutritional value of alfalfa in animal feeds. In addition to the purchase price for Paramix, The Borden Company receives a royalty upon each ton of meal so treated and sold. Due to the recent inception of this contract, it is impossible to state whether or not the sales of this product will be in such volume as to be advantageous to the company.

The company operates a research department and laboratory under the supervision of its research director, John C. Kephart. In addition to the constant checking for quality of the company's product, the company has patented and is using the Kephart process for retarding the oxidation of carotene (pro-vitamin A). Carotene is extremely subject to loss through oxidation and substantial losses in carotene content occur after manufacture of the meal and particularly during storage. The Kephart process materially retards this loss and permits the company to store and later market a greater proportion of its meal with a guaranteed pro-vitamin A content. Meal carrying a guarantee commands a premium price. Perfection of this process has taken more than three years' time, so that the results of its use are not yet fully reflected in the company's business.

Another and important product of the company's research department and the one which gives rise to this present registration statement and financing is the work done in connection with the extraction of chlorophyll. John C. Kephart, research director of the company in charge of its laboratory and research department, has been with the company since its organization. For four years prior thereto he had directed a large part of his time and attention to the matter of isolating chlorophyll and other derivatives on a laboratory scale from freshly harvested alfalfa and alfalfa meal. In 1949 a small pilot plant for the extraction of chlorophyll from dehydrated alfalfa meal was constructed at Lamar, Colorado. Extensive experimental work was conducted in this plant with many solvents for the purpose of determining the efficiency and practicability of each and finding one or more of the solvents which could be used profitably in the extraction of chlorophyll on a commercial basis. Approximately fifty-eight different solvents were tested before the present process of the company was determined. During this same period methods for purifying the extracted chlorophyll were the subject of intensive experimentation. Initially the extraction produced was a 4% water solution, which was later raised to approximately 20%, but the present methods have been further improved until chlorophyll testing 100% purity is now being produced by the company. The company then constructed a small commercial plant which has been in operation a little less than one year. This small plant is not sufficient to meet the demand for the product or to permit the company to be a commercial factor in this field. Yet it is believed that the process of the company for the extraction of chlorophyll thus determined warrants greatly expanded facilities which it is believed can best be achieved under the plan herewith submitted to stockholders.

The existence of chlorophyll in certain vegetation has long been known. It is the element which gives the green coloring to plants and leaves and early efforts to segregate it from other plant elements

were for the purpose of obtaining chlorophyll for use as a pigment. The problem has been the extraction thereof, for uses other than primarily for pigments, such as production of chlorophyllin, (which is the technical name for water soluble derivatives of chlorophyll). From the patent standpoint the art is quite highly refined. There are many patents in this field which disclose in one manner or another the general principle of extracting chemical elements, such as chlorophyll, from plant material and the separation of such elements from associated components. All patents relating to the extraction of chlorophyll are process patents from necessity, since chlorophyll is not a trade name of a manufactured product, but is a chemical compound existing in all green vegetation to a more or less extent. The extraction of chlorophyll by use of solvents has been extensively publicized in scientific articles and published volumes since 1911. An exhaustive search has been made by Raymond J. Norton, Esq., patent counsel in Washington, D. C., who is of the opinion that registrant's process does not infringe existing patents. The opinion does not extend to any use or conversion which a purchaser of chlorophyll or chlorophyllin may subsequently make of such products and there are a number of patents extant covering certain patentable specific uses of such products. Registrant intends to apply for a patent upon its process and such application is now being prepared. Under these circumstances, it is not believed that it is necessary to obtain licenses for the extraction of chlorophyll or chlorophyllin as a chemical compound from any other person. If registrant is not successful in obtaining a patent, and it is finally determined that the company is required to pay a royalty or a license fee for the extraction of chlorophyll or chlorophyllin by means of its extraction process, such royalty or license fee would be an element of cost and would proportionately reduce anticipated net profits from the operation. The amount of any such royalty or license fee cannot at present be computed or estimated because in each instance it always is a matter of negotiation depending upon variable factors such as market and production, but registrant believes that it would not be too excessive to permit profitable operation. The proposed new plant to be erected out of the proceeds of this financing by National Chlorophyll and Chemical Company will, however, have installed therein certain machinery for the leaching of solid materials, such as alfalfa meal, containing soluble constituents intended to be dissolved out or extracted therefrom, which machinery is covered by patent. This patent is controlled by The Vulcan Copper and Supply Company, which is now preparing the plans and specifications for the proposed plant, and a lump sum payment will be made to such company for a license to use such leaching process and machinery in registrant's operations, said lump sum payment being included in the estimated cost of construction of the new and enlarged plant stated under the caption "Amount of Offering and Use of Proceeds" hereinbefore set forth in this Prospectus and to which reference is made.

Alfalfa is known to contain other pigments and chemical elements, such as xanthophyll and phytyl and certain steroids and sterols. With the exception of xanthophyll whether these will prove of commercial value is largely a question of future development.

Another advantage to the company is that the residue after the extraction of chlorophyll can be repurchased by National Alfalfa from the proposed new company, and reground into meal. The meal thus produced retains a high protein content, has high nutritive value as animal feed and can be resold to the trade.

Investors are cautioned, however, that the above statements particularly as to Alfalfa and chlorophyll are matters of experimentation and opinion and are not to be taken in any sense as fact, warranties or representations.

PURPOSE OF THE ISSUE

The purpose of the issue is to provide funds with which National Alfalfa Dehydrating and Milling Company will participate in the construction of a new and enlarged commercial plant for the extraction of chlorophyll and chlorophyll derivatives on a commercial basis by National Chlorophyll and Chemical Company, a new corporation, the entire outstanding capital stock of which will be owned, approximately 46⅔% by National Alfalfa Dehydrating and Milling Company and 53⅓% by the stockholders of National Alfalfa Dehydrating and Milling Company. Reference is made to the statement under the heading "Nature of Offer to Stockholders and Plan of Distribution" hereinbefore set forth in this Prospectus. The sale of the 69,800 shares of common stock of this company to its stockholders at the price of \$9.00 per share as stated hereinabove, less estimated expenses of \$18,200, will result in net proceeds of \$610,000 which will be invested in 305,000 shares of the common stock of National Chlorophyll at the price of \$2.00 per share.

CAPITALIZATION (3) (4)

The capitalization of the company is as follows:

	<u>Authorized</u>	<u>Outstanding March 15, 1952</u>	<u>To Be Outstanding</u>
5% Cumulative Preferred Stock, Par Value \$50.....	56,369 shs.	55,000 (2)	55,000 (2)
Common Stock \$1 Par	763,000	643,000	712,800
	shares (1)	shares	shares

(1) Including 120,000 shares evidenced by stock purchase warrants originally attached to the 5% Cumulative Preferred Stock Certificates evidencing the right to purchase on or prior to December 1, 1950 two shares of common stock at the price of \$10 per share for each share of 5% Cumulative Preferred Stock evidenced by the Certificate. None of these subscription warrants was exercised, resulting in authorized but unissued common stock of the company in the total amount of 120,000 shares.

(2) 3631 shares out of the 60,000 shares of 5% Cumulative Preferred Stock originally authorized by the Certificate of Incorporation have been cancelled and redeemed by operation of the sinking fund and the capital of the company reduced accordingly by appropriate amendments to its Certificate of Incorporation. The above figure of 55,000 shares also excludes 1369 shares (of which 269 shares were acquired subsequent to January 31, 1952) now held by the company in its treasury for cancellation and redemption pursuant to the preferred stock sinking fund provisions of the Certificate of Incorporation relative to the current fiscal year ending April 30, 1952.

(3) For lease obligations see Note 6 to the Financial Statements included herein.

(4) The balance sheet, which is part of the Financial Statement hereto attached, discloses that as of January 31, 1952 there were notes outstanding in the aggregate of \$1,096,000.00 of which \$1,000,000.00 was payable to banks and two items totaling \$96,000.00 payable on property purchased. On March 15, 1952 the amount remaining payable to banks was reduced to \$500,000.00 and on March 24, 1952 this balance was paid in full. The only notes at the date of this prospectus are those for property purchased in the aggregate sum of \$96,000.00 and are, in effect, unpaid installments on the purchase price of the company's mills at Verden, El Reno and Cherokee, Oklahoma (See caption "The Company, Its Organization and Properties," above).

CAPITAL STOCK BEING REGISTERED

The company is registering 69,800 shares of its common stock, par value \$1.00. These shares when issued will in all respects be on a parity with the 643,000 shares of said common stock presently outstanding.

Description of Common Stock

Dividend Rights. Subject to the restrictions, limitations, preferences and privileges of the 5% Cumulative Preferred Stock, a summary of which restrictions, limitations, preferences and privileges is hereinafter given in this item of the Prospectus, and to which reference is hereby made, the common stock is entitled to receive dividends only if and when declared by the Board of Directors and only in such amount as the Board of Directors may from time to time determine and declare. The company has failed to pay any dividend whatsoever upon the common stock since May 1, 1947. Further comment upon this fact is contained under the caption "Summary of Earnings" hereinafter in this Prospectus.

Voting Rights. Except as otherwise required by law and except for the voting rights under certain circumstances of the preferred stock hereinafter summarized under the heading "Description of 5% Cumulative Preferred Stock" to which reference is hereby made, every share of stock of the company has equal voting rights with all other shares of the company, that is to say, each share of the capital stock of the company, both preferred and common, is entitled to one vote for the election of directors and upon all other corporate matters as to which the vote of stockholders is required either by law or by the Certificate of Incorporation of the company.

Liquidation Rights. Upon liquidation the holders of the outstanding common stock are entitled to all of the assets of the company which remain after the payment of all liabilities and after the holders of the preferred stock have received their full preference rights in liquidation, which preference right is summarized hereinafter under the caption "Description of 5% Cumulative Preferred Stock", to which reference is made.

Preemptive and Other Similar Rights. The common stock has no preemptive right nor any conversion right, redemption right or subscription right except as may be granted by resolution of the Board of Directors.

Liability to Further Calls. The common stock registered herein when issued will be issued fully paid and non-assessable and is not liable for further calls or assessments.

Description of 5% Cumulative Preferred Stock

The rights evidenced by the common stock are materially limited or qualified by the rights of the 5% Cumulative Preferred Stock of the company and the following brief summary of these rights, preferences and privileges is made for the information of investors.

Dividend Rights. The 5% Cumulative Preferred Stock is entitled to cumulative dividends at the rate of 5% per annum payable quarterly. No dividends can be declared or paid upon the common stock unless and until all dividends theretofore due upon the preferred stock plus an amount sufficient to pay the next quarterly dividend to become due upon the preferred stock has been paid or set aside.

nor until the consolidated net earnings of the company and its subsidiaries, if any, earned subsequent to May 1, 1946, is at least equal to the sum of all dividends paid in cash by the company since its organization on any of the capital stock of the company plus \$300,000.00.

The term "Consolidated Net Earnings" is defined in the Certificate of Incorporation to mean the balance remaining from the income and profits of the company and its subsidiaries after deducting all expenses including taxes, reasonable provision for depreciation and proper reserves, but excluding losses from sale of capital assets, adjustment of previous earnings charged or credited to surplus, write-downs or write-ups of capital assets and dividends declared or paid on any class of stock of the company.

The status of the Preferred Stock Sinking Fund as of January 31, 1952 is set out in Note 4 to the Financial Statements herein, to which reference is made. (See p. 25 of this prospectus).

Redemption Rights. The preferred stock is redeemable (other than through the Sinking Fund), in whole or in part at any time or from time to time if redeemed prior to December 1, 1953 at \$52.00 per share; if redeemed thereafter but on or prior to December 1, 1955, \$51.50 per share; and if redeemed thereafter at the price of \$51.00 per share together, in all cases, with dividends accrued thereon to the date of redemption. Thirty days' prior notice by mail of redemption is required and if less than the whole amount outstanding is redeemed then the shares to be redeemed are to be selected pro rata or by lot or in such other manner as the Board of Directors may determine. It is again stated that these provisions refer to redemption otherwise than through the Sinking Fund.

Sinking Fund. Redemptions by means of the Sinking Fund are accomplished as follows, namely: The company is required to set aside as a Sinking Fund for the preferred stock a sum equal to 20% of the consolidated net earnings of the company and its subsidiaries for the preceding fiscal year, such sum to be so set aside on September 1 of each year. For this purpose in determining consolidated net earnings, amounts declared and paid as dividends upon the preferred stock shall also be deducted. The company has the right to surrender to the Sinking Fund shares of preferred stock acquired by it at public or private sale at the company's cost, not, however, in excess of the then applicable redemption price above specified and take credit for such redemptions against the then Sinking Fund requirements. The company may also receive credit at its cost, not however in excess of the then specified redemption price, for all preferred stock cancelled and redeemed in excess of the then Sinking Fund requirements and may take advantage of this credit against future sinking fund payments.

The company is required to reduce its authorized capital stock to the extent of any redemptions so made provided the number of shares so cancelled and redeemed and held by the company is in excess of 500. In this manner and because of this provision the amount of the capital of the company evidenced by the preferred stock has been reduced from \$3,000,000.00 originally authorized to \$2,818,450.00. The company has acquired and holds in its treasury against the sinking fund requirement for the current year which will end April 30, 1952, 1369 shares of its preferred stock (the par value of which 1369 shares is not deducted from the above figure of \$2,818,450.00) at an aggregate cost of \$54,384.88 or \$39.73 per share and has an additional sinking fund credit in the amount of \$7,210.94. This sinking fund credit, however, is reflected in and is a part of the reduction of capital hereinabove stated. The total number of shares of the 5% Cumulative Preferred Stock thus redeemed and cancelled plus the 1369 shares held by the company is 5,000 shares, leaving a balance now authorized and outstanding of 55,000 shares as shown above under the caption "Capitalization".

Liquidation Rights. In the event of any voluntary liquidation, dissolution or winding up of the affairs of the company the owners of the preferred stock are entitled to receive the full par value of their shares plus the then applicable redemption premium plus all dividends accrued and unpaid to the date of redemption, but in the case of involuntary liquidation the holders of the preferred stock are entitled to receive the par value of their shares without premium plus accrued dividends to the date of redemption.

Voting Rights. Except as otherwise required by law and except in the case of certain contingencies hereinafter briefly described, every share of stock of the company, regardless of class, has equal voting rights. In the case of the preferred stock, however, the consent of at least 66-2/3% of the outstanding preferred stock is necessary to validate or permit an increase in the amount of preferred stock. In the case of the voluntary dissolution of the company, any amendment which would adversely affect the rights or preferences of the preferred stock and, with certain exceptions, the creation or assumption by the company or any subsidiary of funded debt, funded debt being defined as any indebtedness maturing by its terms more than twelve months from the date of the original creation or which is extendable or renewable at the option of the obligor to a date more than twelve months from the date of its original creation. Furthermore the consent of at least 50% of the outstanding preferred stock is required to validate or permit merger, sale, lease or conveyance by the company of all or substantially all of its assets, disposition of shares of a subsidiary so that it ceases to be such, purchase of preferred stock, otherwise than on tenders, when arrearages exist in the dividends on the preferred stock, and in certain other contingencies, not believed to be important here. It is further to be noted that in the event dividends upon the preferred stock are in arrears for six quarterly dividend payments, whether or not consecutive, then the holders of preferred stock voting as a class are entitled to elect one-third of the entire Board of Directors until all arrearages have been paid.

Preemptive and other Rights. The preferred stock does not have any preemptive right to subscribe to any present or future issue of any stock of the company, whether now or hereafter authorized. Preferred stock has no conversion rights. All of the preferred stock is issued full paid and non-assessable.

SUMMARY OF EARNINGS

The following is a summary of the earnings of National Alfalfa Dehydrating and Milling Company for the five years and nine months ended January 31, 1952. The five years ended April 30, 1947 have been reviewed by Peat, Marwick, Mitchell & Co., independent public accountants, as set forth in their report appearing elsewhere in the prospectus. The earnings shown in the summary have been adjusted to reflect entries appearing in the surplus account with the result that the net earnings for the fiscal years ended April 30, 1947 and 1948 have been increased as compared with amounts previously reported. The information with respect to the three years and nine months ended January 31, 1952 should be read in conjunction with the financial statements included in this prospectus together with the notes accompanying such statements:

	Period May 4, 1946 to April 30, 1947	1948	Year ended April 30,		1951	Nine Months ended January 31, 1952 (Unaudited)
			1949	1950		
Net sales	\$10,937,340	9,413,115	8,371,481	7,377,570	8,350,784	7,674,919
Cost and operating ex- penses, excluding de- preciation	9,754,648	8,317,671	7,632,984	6,674,641	7,557,746	6,343,233
Depreciation	316,955	341,850	397,801	453,802	483,175	400,831
Operating income	865,737	753,594	340,696	249,127	309,863	930,855
Non-operating income and (expenses):						
Interest expense	(19,063)	(6,469)	(13,276)	(22,600)	(22,782)	(38,579)
Amortization of organi- zation and related ex- penses	(10,121)	(10,121)	(10,121)	(10,121)	(10,121)	(7,591)
Amortization of excess purchase consideration (Note 1)	(56,423)	(56,423)	(51,545)	(51,545)	(51,545)	(38,659)
Other non-operating in- come—net	7,427	7,177	2,886	12,336	24,391	14,350
Earnings before taxes on income	787,557	687,758	268,640	177,197	249,806	860,376
Taxes on income (Note 2)	335,706	295,656	129,000	94,000	134,000	484,000
Net earnings	\$ 451,851	392,102	139,640	83,197	115,806	376,376
Net earnings as above.....	451,851	392,102	139,640	83,197	115,806	376,376
Dividends paid on pre- ferred stock	146,250	146,274	142,010	140,923	140,923	104,942
Net earnings after payment of preferred dividends.....	305,601	245,828	(2,370)	(57,726)	(25,117)	271,434
Earnings per share of com- mon stock	48¢	38¢	(.37¢)	(10¢)	(3.9¢)	42¢ (4)
Dividends paid per share of common stock (Note 3)	36¢	—	—	—	—	—

Notes to Summary of Earnings

- (1) Represents the write-off over a period of 25 years of the excess of the purchase consideration over reproduction cost-new, less existing depreciation, as estimated by independent appraisers, of property, plant and equipment acquired from predecessor companies.
- (2) The company's financial income as shown in the foregoing summary is less than the taxable income due to the amortization of organization expense and excess purchase consideration, which amortization is not deductible for tax purposes.

No provision for excess profits tax is included in the above summary, since the company's excess profits tax credit exceeded the excess profits net income. On the basis of the Revenue Act of 1951, net taxable income in excess of approximately \$1,150,000 for the fiscal year ended April 30, 1952 will be subject to excess profits tax.

- (3) For restriction on payment of dividends on common stock see Note 4 to "Notes forming part of Financial Statements."
- (4) The substantial increase in earnings shown for the nine months ended January 31, 1952 over the fiscal year ended April 30, 1951 is primarily due to increased production of dehy-

drated alfalfa meal by registrant combined with favorable market prices for the product. The favorable market price situation has been caused in part by a continuous increase in the volume of production of formula or mixed feeds containing alfalfa meal as an ingredient, the increased use of pelleted meal and in part to the reduced production of dehydrated meal by others in the industry caused by the mid-western floods during the spring and summer of 1951 and other unfavorable weather conditions affecting a large part of this industry has also effected substantial savings in operating expense.

OFFICERS AND DIRECTORS

The names of the directors and executive officers of the company, and the position or position held by each are as follows:

<u>Name</u>	<u>Position</u>
Floyd M. Wilson	Chairman of the Board and Director
J. C. Hearn	President and Director*
R. E. Nye	Vice-President and Director
Robert G. Bosworth	Vice-President and Director*
C. J. Northrup	Treasurer and Assistant Secretary
L. R. Pollock	Secretary and Director
Robert W. Drummond	Director
James J. Davis	Director
John R. Porter	Director*
John J. Sullivan	Director*
E. M. Tutwiler	Director
P. A. Walters	Director*

* Members of the Executive Committee

Each executive officer has been associated with the company for more than five years. Mr. Robert G. Bosworth, however, is in addition a member of the law firm of Pershing, Bosworth, Dick and Dawson, which firm is legal counsel for the company. No director and no executive officer, exclusive of pension, retirement or similar payments, received aggregate remuneration in excess of \$25,000.00 and no director and no executive officer, including amounts set aside during the last fiscal year by the registrant and its subsidiary pursuant to any pension plan of the company received aggregate remuneration during the last fiscal year in excess of \$25,000.00.

All directors and officers as a group received during this last fiscal year aggregate remuneration of \$65,166.64. Directors who are not salaried officers of the company receive an attendance fee of \$50.00 per meeting plus actual and necessary travel expense. This does not include the interest of Mr. Robert G. Bosworth as partner in the legal firm of Pershing, Bosworth, Dick and Dawson, which interest is more fully described hereafter under the caption "Interest of Management in Certain Transactions."

No officer or director of the company directly or indirectly during the last fiscal year or subsequently received from the company or its subsidiaries any remuneration in the form of securities, options, warrants, rights or other property or through the exercise or disposition thereof.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

No officer and director has any material interest direct or indirect nor have any of them had any such material interest during the past three years in any proposed transaction to which the company or its subsidiaries was or is to be a party except Mr. Bosworth as partner in the law firm of Pershing, Bosworth, Dick and Dawson, general counsel of the company, has an interest in the legal fees paid for services rendered to that partnership. The company pays its general counsel a monthly retainer of \$400.00 per month for regular and recurrent legal services. Additional compensation was paid to counsel during the fiscal years ending April 30, 1949 and April 30, 1950 in the amount of \$2,600.00 on account of extra services in connection with the preparation and filing of post effective amendments to the original registration statement of the company. It is anticipated that additional fees will be paid to counsel for its services in connection with this registration statement and prospectus, not however exceeding \$7,500.00.

PRINCIPAL HOLDERS OF EQUITY SECURITIES

Except as stated below, no person as of March 24, 1952 owned of record, or, so far as the registrant knows, owned beneficially more than 10% of either the preferred or common stock of the registrant or more than 10% in the aggregate of all its outstanding stock or options therefor. Exceptions are:

Name and Address	Class	Record	Beneficially	Percentage of Class
W. J. Small, Neodesha, Kansas	5% Cumulative Preferred	13,149	Same	23.91
Paine, Webber, Jackson & Curtis, 25 Broad Street, New York, New York (1)	Common	74,155	None	11.53

- (1) It is stated to registrant by Paine, Webber, Jackson & Curtis, investment bankers, that the record holdings of that firm are for the accounts of various customers who have purchased and now own the said shares, but no one of whom owns 10% of the outstanding common stock of registrant.

The officers and directors as a group own of record and beneficially 1,152 shares of 5% Cumulative Preferred Stock and 29,390 shares of Common Stock of the company.

LEGALITY

Legal matters in connection with the issuance of the common stock of registrant and the subscription warrants to be issued therefor will be passed upon by Pershing, Bosworth, Dick and Dawson, counsel for the company.

PENDING LEGAL PROCEEDINGS

The company has no material legal proceedings pending against it or to which the company or a subsidiary is a party other than routine litigation incident to the kind of business conducted by the company and it has no knowledge of any such proceedings contemplated by governmental authority.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

The following pages of this Prospectus contain the report of the independent public accountants and the following financial statements:

	Prospectus Page
Accountants' Report	19
Balance Sheet as of April 30, 1951 (audited) and January 31, 1952 (unaudited).....	20
Statement of Earnings for the three years ended April 30, 1951 (audited) and the nine months ended January 31, 1952 (unaudited)	22
Statement of Earnings Retained for Use in the Business for the three years ended April 30, 1951 (audited) and the nine months ended January 31, 1952 (unaudited).....	23
Statement of Capital in Excess of Par Value for the three years ended April 30, 1951 (audited) and the nine months ended January 31, 1952 (unaudited)	23
Notes forming part of Financial Statements	24

The following schedules are included in the Registration Statement but have been omitted from this Prospectus as permitted by the rules and regulations of the Securities and Exchange Commission:

- V Property, Plant and Equipment
- VI Reserves for Depreciation of Property, Plant and Equipment
- VII Intangible Assets
- XII Reserves
- XIII Capital Shares

ACCOUNTANTS' REPORT

To the Board of Directors,
National Alfalfa Dehydrating and Milling Company,
Lamar, Colorado.

We have examined the financial statements and related schedules of National Alfalfa Dehydrating and Milling Company as listed in the accompanying index, so far as they relate to the three years ended April 30, 1951. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of National Alfalfa Dehydrating and Milling Company at April 30, 1951 and the results of its operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and the supporting schedules, in our opinion, present fairly the information required to be stated therein.

We have previously made annual examinations, similar in scope to that indicated in the first paragraph above, of the financial statements of National Alfalfa Dehydrating and Milling Company for the fiscal years 1947 and 1948, and have reviewed the summary of earnings for the five years ended April 30, 1951, which is included under the caption "Summary of Earnings" in the Prospectus. In our opinion, such summary of earnings summarizes fairly the results of operations for the five years ended April 30, 1951, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & Co.

Denver, Colorado,
March 26, 1952.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

BALANCE SHEETS

As of April 30, 1951 (Audited) and as of January 31, 1952 (Unaudited)

ASSETS	As of April 30, 1951	As of January 31, 1952 (Unaudited)
Current assets:		
Cash in banks and on hand	\$ 271,319.79	\$ 586,180.38
Accounts receivable:		
Trade	219,194.95	278,227.48
Other	47,529.18	48,726.27
Total accounts receivable	266,724.13	326,953.75
Inventories (Note 1):		
Meal	209,064.77	1,492,637.54
Hay	31,466.91	99,461.09
Bags	362,875.86	405,818.84
Miscellaneous	56,570.29	71,605.91
Total inventories	659,977.83	2,069,523.38
Prepaid expenses:		
Insurance, taxes, deposits, etc.	331,453.30	213,116.76
Mill supplies	279,125.40	293,146.83
Total prepaid expenses	610,578.70	506,263.59
Total current assets	1,808,600.45	3,488,921.10
Investments—at cost:		
Exchange membership	1.00	1.00
Capital stock of the Denver Alfalfa Milling and Products Company (non-operating subsidiary)	15,000.00	15,000.00
Total investments	15,001.00	15,001.00
Property, plant and equipment (Notes 2 and 3):		
Land	54,864.31	58,014.31
Buildings	1,923,718.20	2,042,142.43
Machinery and equipment	3,386,360.14	3,736,470.99
Furniture and fixtures	45,028.80	50,657.48
Autos and delivery equipment	474,281.96	536,738.21
Construction in progress	218,499.40	42,451.84
	6,102,752.81	6,466,475.26
Less accumulated depreciation	1,857,512.28	2,229,246.17
	4,245,240.53	4,237,229.09
Excess of purchase consideration paid over amounts at which plant and other tangible assets have been recorded in the accounts, less accumulated amortization of \$267,480.60 and \$306,139.29 at April 30, 1951 and January 31, 1952, respec- tively (Note 2)	1,030,909.10	992,250.41
Deferred charges:		
Cost of pension plan less accumulated amortization of \$40,000.00 and \$46,000.03 at April 30, 1951 and January 31, 1952 respectively (Note 5)	40,000.00	33,999.97
Organization and related expenses, less accumulated amor- tization of \$50,605.76 and \$58,196.63 at April 30, 1951 and January 31, 1952 respectively	50,605.70	43,014.83
Total deferred charges	90,605.70	77,014.80
	<u>\$7,190,356.78</u>	<u>\$8,810,416.40</u>

See "Notes forming part of financial statements"

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

BALANCE SHEETS

As of April 30, 1951 (Audited) and as of January 31, 1952 (Unaudited)

LIABILITIES	As of April 30, 1951	As of January 31, 1952 (Unaudited)
Current liabilities:		
Notes payable:		
Notes payable to banks	\$ —	\$1,000,000.00
Notes payable on property purchased	—	22,000.00
Total notes payable	—	1,022,000.00
Accounts payable:		
Trade	55,236.04	95,721.58
Other (includes \$15,000.00 payable to non-operating subsidiary)	28,741.17	29,394.42
Total accounts payable	83,977.21	125,116.00
Accrued liabilities:		
Taxes, other than on income	37,272.04	37,298.75
Wages	26,194.83	11,788.47
Other	2,995.23	6,729.56
Total accrued liabilities	66,462.10	55,816.78
Dividend payable on preferred stock	35,230.63	34,480.63
Federal and State taxes on income	134,960.49	536,349.56
Total current liabilities	320,630.43	1,773,762.97
Notes payable on property purchased, final notes due May 15, 1955	135,000.00	74,000.00
Capital and retained earnings (Note 4):		
Preferred stock, 5% cumulative of a par value of \$50 per share; authorized—57,239 shares at April 30, 1951 and 56,369 shares at January 31, 1952; outstanding 56,818 shares at April 30, 1951 and 56,369 shares at January 31, 1952	2,840,900.00	2,818,450.00
Common stock of a par value of \$1 per share (including \$2,970,000 representing the excess of par value of 33,000 shares of convertible preferred stock over the par value of 330,000 shares of common stock issued in exchange therefor); authorized—763,000 shares; issued and outstanding, 643,000 shares	3,613,000.00	3,613,000.00
Capital in excess of par value, per accompanying statement	57,539.49	68,539.99
Earnings retained for use in the business, per accompanying statement	234,736.36	506,170.14
	6,746,175.85	7,006,160.13
Less preferred stock reacquired and held in treasury, at cost—449 shares at April 30, 1951 and 1100 shares at January 31, 1952	11,449.50	43,506.70
Total capital and retained earnings	6,734,726.35	6,962,653.43
	<u>\$7,190,356.78</u>	<u>\$8,810,416.40</u>

See "Notes forming part of financial statements"

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

STATEMENT OF EARNINGS

For the three years ended April 30, 1951 (Audited)
And the nine months ended January 31, 1952 (Unaudited)

	YEAR ENDED, APRIL 30			Nine Months ended January 31, 1952 (Unaudited)
	1949	1950	1951	
Sales:				
Alfalfa meal	\$8,082,709.18	\$7,282,995.51	\$8,186,405.77	\$7,522,800.34
Hay	251,610.49	67,156.48	90,391.10	18,485.60
Other	54,097.74	44,338.35	80,199.28	141,397.39
Total sales	8,388,417.41	7,394,490.34	8,356,996.15	7,682,683.33
Less claims and allowances.....	16,936.70	16,920.35	6,212.51	7,764.44
Net sales	8,371,480.71	7,377,569.99	8,350,783.64	7,674,918.89
Cost of sales	7,484,957.18	6,597,045.23	7,514,778.86	6,358,484.93
Gross profit	886,523.53	780,524.76	836,004.78	1,316,433.96
Selling, general and administrative expenses	545,827.25	531,397.28	526,141.69	385,579.09
Profit from operations...	340,696.28	249,127.48	309,863.09	930,854.87
Other income	7,360.29	14,439.98	20,831.59	16,278.64
	348,056.57	263,567.46	330,694.68	947,133.51
Other charges:				
Interest	13,275.62	22,599.72	22,782.31	38,579.41
Amortization of organization and related expenses	10,121.13	10,121.16	10,121.16	7,590.87
Amortization of excess purchase consideration (Note 2)	51,544.95	51,544.92	51,544.92	38,658.69
Loss (gain) on disposition of plant and equipment	4,474.49	2,104.44	(3,559.72)	1,928.87
	79,416.19	86,370.24	80,888.67	86,757.84
Earnings before taxes on income	268,640.38	177,197.22	249,806.01	860,375.67
Provision for taxes on income:				
Federal (no excess profits tax)...	122,000.00	88,500.00	129,500.00	466,000.00
State	7,000.00	5,500.00	4,500.00	18,000.00
	129,000.00	94,000.00	134,000.00	484,000.00
Net earnings	\$ 139,640.38	\$ 83,197.22	\$ 115,806.01	\$ 376,375.67

See "Notes forming part of financial statements"

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY
STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

For the three years ended April 30, 1951 (audited)
And the nine months ended January 31, 1952 (unaudited)

	YEAR ENDED APRIL 30,			Nine Months ended January 31, 1952 (Unaudited)
	1949	1950	1951	
Amount at beginning of period	\$319,947.81	\$317,578.17	\$259,852.87	\$234,736.36
Net earnings for the year	<u>139,640.38</u>	<u>83,197.22</u>	<u>115,806.01</u>	<u>376,375.67</u>
	459,588.19	400,775.39	375,658.88	611,112.03
Cash dividends on preferred stock, \$2.50 per share for the fiscal years 1949, 1950 and 1951 and \$1.87½ per share for the nine months ended January 31, 1952.....	142,010.02	140,922.52	140,922.52	104,941.89
Amount at close of period	<u>\$317,578.17</u>	<u>\$259,852.87</u>	<u>\$234,736.36</u>	<u>\$506,170.14</u>

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

For the three years ended April 30, 1951 (audited)
And the nine months ended January 31, 1952 (unaudited)

	YEAR ENDED APRIL 30,			Nine Months ended January 31, 1952 (Unaudited)
	1949	1950	1951	
Amount at beginning of period	\$15,492.00	\$47,224.99	\$57,539.49	\$57,539.49
Excess of par value over cost of 5% cumu- lative preferred stock, retired through sinking fund:				
1,741 shares	31,732.99	—	—	—
421 shares	—	10,314.50	—	—
449 shares	—	—	—	11,000.50
Amount at close of period	<u>\$47,224.99</u>	<u>\$57,539.49</u>	<u>\$57,539.49</u>	<u>\$68,539.99</u>

See "Notes forming part of financial statements"

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

NOTES FORMING PART OF FINANCIAL STATEMENTS

(1) Inventories:

Inventories are stated on the basis of the lower of cost or market; cost being determined by the "average cost" method and market, on the basis of current purchase prices in the case of raw materials and supplies and on the basis of selling prices less allowance for selling expenses in the case of finished products.

The amounts of the inventories, determined on the foregoing bases, used in the computation of cost of sales for the three years and nine months ended January 31, 1952 were as follows:

At April 30, 1948	\$ 655,444.37
At April 30, 1949	811,391.48
At April 30, 1950	1,284,357.93
At April 30, 1951	659,977.83
At January 31, 1952 (unaudited)	2,069,523.38

(2) Property, plant and equipment:

Property, plant and equipment was set up on the books at reproduction cost-new, less existing depreciation, as estimated by independent appraisers at the time of purchase from predecessor companies. The balance of the cost, which the company is amortizing over a period of 25 years, is shown as a separate item in the balance sheet. Additions to property, plant and equipment made since original acquisition are stated at cost.

(3) Depreciation, maintenance and repairs:

Depreciation has been provided by the company at specific rates determined on the basis of the estimated useful lives of the respective classifications of property. The following are the annual rates used in respect of the principal items included under the various classifications:

Classification	Rate
Buildings	% 3.5
Machinery and equipment	6.66 to 20.00
Furniture and fixtures	10
Autos and delivery equipment	25

Maintenance and repairs are charged against operations in the year incurred. Renewals and betterments are capitalized. Upon disposal or retirement of fixed assets the cost and accumulated depreciation has been eliminated from the asset and reserve accounts and the balance, less proceeds, if any, charged or credited to net earnings.

(4) Capital stock:

The 5% cumulative preferred stock may be redeemed in whole or in part at \$52.00 per share on or before December 1, 1953, at \$51.50 per share from December 1, 1953 to and including December 1, 1955 and at \$51.00 per share thereafter. So long as any shares are outstanding, the company is required to pay into a sinking fund for the retirement of the preferred stock on or before September 1, annually, an amount equal to 20% of the net earnings (as defined in the certificate of incorporation, as amended) for the preceding fiscal year in excess of the preferred dividend requirements for such year. The sinking fund requirement for the year ended April 30, 1951 amounted to \$4,573.74, and for the nine months ended January 31, 1952 would amount to \$62,402.27.

The payment into the sinking fund may be made in cash or shares of preferred stock reacquired by the company at cost and not in excess of the above specified redemption prices. At April 30, 1951 the company had acquired 449 shares of preferred stock at a cost of \$11,449.50 and this stock was tendered on September 1, 1951 in payment of the sinking fund requirement of \$4,573.74 for the fiscal year ended April 30, 1951. The company has a credit of \$7,210.94 with the sinking fund Trustee, which credit may be used against future sinking fund requirements and has also acquired 1,100 shares of preferred stock at a cost of \$43,506.70 which may be used for sinking fund payments.

Holders of the cumulative preferred stock are entitled to \$50 per share plus accrued dividends upon involuntary liquidation and to the then current redemption price per share specified above plus accrued dividends upon voluntary liquidation.

As long as the preferred stock is outstanding the company cannot pay any dividends on the common stock unless (a) all dividends and sinking fund requirements with respect to the preferred stock shall have been met and (b) the net earnings (as defined in the certificate of incorporation) subsequent to May 1, 1946 equal the sum of (i) the aggregate of all dividends (other than dividends paid in stock subordinate to the preferred stock) paid subsequent to incorporation on all distributions made in respect of any class of stock; (ii) the excess of the aggregate of all amounts expended or set aside for the purchase, redemption or other acquisition of stock subordinate to the preferred stock over the net cash proceeds received from the issue or sale subsequent to June 1, 1946 of stock subordinate to the preferred stock and (iii) an amount of \$300,000.00. Under the foregoing provision the earnings retained for use in the business was restricted as to the payment of dividends on common stock to the extent of \$64,469.43 at April 30, 1951 and \$23,881.87 at January 31, 1952.

(5) Pension and group annuity plan:

The company has in effect an insured pension plan which provides pensions, supplementing social security benefits, based on earnings up to \$3,000 maximum of which the company pays the entire cost. In addition the company has a group annuity plan available to employees with earnings over \$3,000 the cost of which is financed jointly by the company and the employees covered thereby.

The company reserves the right to change or discontinue these plans at any time. The premium cost of these plans charged to operations amounted to \$26,995.55, including the cost of past services of \$2,750.50 which the company is paying over a period of approximately seven years, from date of incorporation, for the year ended April 30, 1951 and \$11,232.35 for the nine months ended January 31, 1952.

In addition the company is amortizing over a period of ten years (\$8,000.00 per year) from date of incorporation, the amount paid to a predecessor company in taking over the pension plan.

(6) Long term leases:

The following is a summary of real estate leases held by the company, expiring more than three years after April 30, 1951 and January 31, 1952:

	Number of Leases	Approximate Minimum Annual Rental
Within five years after April 30, 1951	<u>3</u>	<u>\$31,500</u>
Within five years after January 31, 1952	<u>8</u>	<u>\$61,700</u>

(7) Supplementary profit and loss information:

The following charges are included in the statement of earnings:

	Year Ended	CHARGED TO		Total
		Cost of Sales	Other Expenses	
Maintenance and repairs.....	4/30/49	\$407,275.34	\$ —	\$407,275.34
	4/30/50	443,095.39	—	443,095.39
	4/30/51	324,957.45	—	324,957.45
	1/31/52*	362,709.20	—	362,709.20
Depreciation	4/30/49	397,800.61	—	397,800.61
	4/30/50	453,801.67	—	453,801.67
	4/30/51	483,175.09	—	483,175.09
	1/31/52*	400,831.21	—	400,831.21
Amortization of intangible assets.....	4/30/49	—	51,544.95	51,544.95
	4/30/50	—	51,544.92	51,544.92
	4/30/51	—	51,544.92	51,544.92
	1/31/52*	—	38,658.69	38,658.69
Taxes	4/30/49	57,733.23	68,847.62	126,580.85
	4/30/50	55,602.37	69,395.03	124,997.40
	4/30/51	66,697.68	68,416.89	135,114.57
	1/31/52*	53,474.89	58,611.20	112,086.09
Rents	4/30/49	9,130.47	1,296.00	10,426.47
	4/30/50	5,709.09	1,296.00	7,005.09
	4/30/51	5,908.54	1,354.00	7,262.54
	1/31/52*	32,390.05	1,811.50	34,201.55
Royalties	4/30/49	—	—	—
	4/30/50	—	375.00	375.00
	4/30/51	—	3,455.62	3,455.62
	1/31/52*	—	7,090.63	7,090.63

*Represents nine-month period (unaudited).

Taxes, other than taxes on income, comprised the following:

	YEAR ENDED APRIL 30,			Nine Months, 19 (Unaudited)
	1949	1950	1951	
Real estate and personal property.....	\$ 41,913.72	\$ 42,495.74	\$ 49,942.99	\$ 37,566.45
Social security	64,970.16	63,677.35	63,799.62	54,925.13
Tax tags and registrations	8,527.92	5,912.33	6,515.89	7,715.14
Automobile and truck licenses.....	6,446.78	7,403.33	9,068.36	8,687.47
State franchise, filing fees, etc.....	4,722.27	5,508.65	5,787.71	3,192.69
	<u>\$126,580.85</u>	<u>\$124,997.40</u>	<u>\$135,114.57</u>	<u>\$112,086.09</u>

There were no management and service contract fees during the period.

ADDITIONAL INFORMATION CONTAINED IN
THE REGISTRATION STATEMENT

This Prospectus omits certain additional information contained in the Registration Statement (Form S-1) filed with the Securities and Exchange Commission under the Securities Act of 1933. The information omitted may be inspected by anyone at the office of the Commission without charge, and copies of all or any part of the Registration Statement may be obtained upon the payment of the fee prescribed by the Rules and Regulations of the Commission.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

By J. C. Hearn

President.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY



Lamar, Colorado

PROSPECTUS

May 22, 1952

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

BALANCE SHEET—APRIL 30, 1952

A S S E T S

CURRENT ASSETS:

Cash		\$ 937,707.71
Accounts receivable:		
Trade	\$ 313,364.70	
Other	33,077.44	346,442.14
Inventories—at lower of average cost or market:		
Meal	\$ 524,340.14	
Hay	9,827.06	
Bags	371,967.37	
Miscellaneous	58,276.93	964,411.50
Prepaid expenses:		
Insurance, taxes, deposits, etc.	\$ 334,747.50	
Mill supplies	312,505.57	647,253.07
Total current assets		\$2,895,814.42

INVESTMENTS—AT COST:

Exchange membership	\$ 1.00	
Capital stock of the Denver Alfalfa Milling and Products Company (non-operating subsidiary)	15,000.00	15,001.00

PROPERTY, PLANT AND EQUIPMENT (NOTE 1):

Land	\$ 56,314.31	
Buildings	2,026,922.85	
Machinery and equipment	3,815,509.30	
Furniture and fixtures	51,994.44	
Autos and delivery equipment	538,024.23	
Construction in progress	28,860.10	
	\$6,517,625.23	
Less accumulated depreciation	2,327,948.08	4,189,677.15

EXCESS OF PURCHASE CONSIDERATION paid over amounts at which plant and other tangible assets have been recorded in the accounts, less accumulated amortization of \$319,025.52 (Note 1)

979,364.18

DEFERRED CHARGES:

Cost of pension plan less accumulated amortization of \$48,000.00	\$ 32,000.00	
Organization and related expenses, less accumulated amortization of \$60,726.92	40,484.54	72,484.54
		\$8,152,341.29

L I A B I L I T I E S

CURRENT LIABILITIES:

Notes payable on property purchased		\$ 22,000.00
Accounts payable:		
Trade	\$ 234,820.24	
Other (includes \$15,000.00 payable to non-operating subsidiary)	43,868.92	278,689.16
Accrued liabilities:		
Taxes, other than on income	\$ 38,500.53	
Wages	29,085.51	
Other	1,886.87	69,472.91
Dividend payable on preferred stock		34,375.00
Federal and State taxes on income		649,601.90
Total current liabilities		\$1,054,138.97

NOTES PAYABLE ON PROPERTY PURCHASED, final notes due May 15, 1955

74,000.00

CAPITAL AND RETAINED EARNINGS (NOTE 2):

Preferred stock, 5% cumulative of a par value of \$50 per share; authorized 56,369 shares; outstanding 56,369 shares	\$2,818,450.00	
Common stock of a par value of \$1 per share (including \$2,970,000 representing the excess of par value of 33,000 shares of convertible preferred stock over the par value of 330,000 shares of common stock issued in exchange therefor); authorized—763,000 shares; issued and outstanding, 643,000 shares....	3,613,000.00	
Capital in excess of par value	68,539.99	
Earnings retained for use in the business	578,597.21	
	\$7,078,587.20	
Less preferred stock reacquired and held in treasury, at cost—1,369 shares	54,384.88	7,024,202.32
		\$8,152,341.29

See notes to financial statements.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

STATEMENT OF EARNINGS

For the four years ended April 30, 1952

	Year ended April 30,			
	1949	1950	1951	1952
SALES:				
Alfalfa meal	\$8,082,709.18	\$7,282,995.51	\$8,186,405.77	\$ 9,806,142.70
Hay	251,610.49	67,156.48	90,391.10	52,679.70
Other	54,097.74	44,338.35	80,199.28	281,725.87
TOTAL SALES	\$8,388,417.41	\$7,394,490.34	\$8,356,996.15	\$10,140,548.27
Less claims and allowances	16,936.70	16,920.36	6,212.51	9,213.94
NET SALES	\$8,371,480.71	\$7,377,569.99	\$8,350,783.64	\$10,131,334.33
COST OF SALES	7,484,957.18	6,597,045.23	7,514,778.86	8,454,107.26
GROSS PROFIT	\$ 886,523.53	\$ 780,524.76	\$ 836,004.78	\$ 1,677,227.07
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	545,827.25	521,397.28	526,141.69	516,413.96
PROFIT FROM OPERATIONS	\$ 340,696.28	\$ 249,127.48	\$ 309,863.09	\$ 1,160,813.11
OTHER INCOME	7,360.29	14,439.98	20,831.59	26,825.39
	\$ 348,056.57	\$ 263,567.46	\$ 330,694.68	\$ 1,187,638.50
OTHER CHARGES:				
Interest	\$ 13,275.62	\$ 22,599.72	\$ 22,782.31	\$ 42,502.05
Amortization of organization and related expenses	10,121.13	10,121.16	10,121.16	10,121.16
Amortization of excess purchase consideration (Note 1)	51,544.95	51,544.92	51,544.92	51,544.92
Loss (gain) on disposition of plant and equipment	4,474.49	2,104.44	(3,559.72)	2,292.63
	\$ 79,416.19	\$ 86,370.24	\$ 80,888.67	\$ 106,460.76
EARNINGS BEFORE TAXES ON INCOME	\$ 268,640.38	\$ 177,197.22	\$ 249,806.01	\$ 1,081,177.74
PROVISION FOR TAXES ON INCOME:				
Federal (no excess profits tax)	\$ 122,000.00	\$ 88,500.00	\$ 129,500.00	\$ 580,000.00
State	7,000.00	5,500.00	4,500.00	18,000.00
	\$ 129,000.00	\$ 94,000.00	\$ 134,000.00	\$ 598,000.00
NET EARNINGS	\$ 139,640.38	\$ 83,197.22	\$ 115,806.01	\$ 483,177.74

See notes to financial statements.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

For the four years ended April 30, 1952

	Year ended April 30,			
	1949	1950	1951	1952
AMOUNT AT BEGINNING OF PERIOD.....	\$319,947.81	\$317,578.17	\$259,852.87	\$234,736.36
NET EARNINGS FOR THE YEAR.....	139,640.38	83,197.22	115,806.01	483,177.74
CASH DIVIDENDS ON PREFERRED STOCK, \$2.50 PER SHARE.....	\$459,588.19	\$400,775.39	\$375,658.88	\$717,914.10
AMOUNT AT CLOSE OF PERIOD.....	\$317,578.17	\$259,852.87	\$234,736.36	\$578,597.21

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

For the four years ended April 30, 1952

	Year ended April 30,			
	1949	1950	1951	1952
AMOUNT AT BEGINNING OF PERIOD.....	\$ 15,492.00	\$ 47,224.99	\$ 57,539.49	\$ 57,539.49
EXCESS OF PAR VALUE over cost of 5% cumulative preferred stock, retired through sinking fund:				
1,741 shares	31,732.99	—	—	—
421 shares	—	10,314.50	—	—
449 shares	—	—	—	11,000.50
AMOUNT AT CLOSE OF PERIOD.....	\$ 47,224.99	\$ 57,539.49	\$ 57,539.49	\$ 68,539.99

See notes to financial statements.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

NOTES TO FINANCIAL STATEMENTS

(1) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment was set up on the books at reproduction cost—new, less existing depreciation, as estimated by independent appraisers at the time of purchase from predecessor companies. The balance of the cost, which the company is amortizing over a period of 25 years, is shown as a separate item in the balance sheet. Additions to property, plant and equipment made since original acquisition are stated at cost. Provision for depreciation has been made on the basis of estimated future lives of the respective classifications of property. The depreciation charged to earnings for the four years ended April 30, 1952 was as follows:

Year ended April 30,	Amount
1949.....	\$397,800.61
1950.....	453,801.67
1951.....	483,175.09
1952.....	530,515.75

(2) CAPITAL STOCK:

The 5% cumulative preferred stock may be redeemed in whole or in part at \$52.00 per share on or before December 1, 1953, at \$51.50 per share from December 1, 1953 to and including December 1, 1955 and at \$51.00 per share thereafter. So long as any shares are outstanding, the company is required to pay into a sinking fund for the retirement of the preferred stock on or before September 1, annually, an amount equal to 20% of the net earnings (as defined in the certificate of incorporation, as amended) for the preceding fiscal year in excess of the preferred dividend requirements for such year. The sinking fund requirement for the year ended April 30, 1952 amounts to \$79,539.68.

The payment into the sinking fund may be made in cash or shares of preferred stock reacquired by the company at cost and not in excess of the above specified redemption prices. In satisfaction of the sinking fund payment of \$4,573.74 due September 1, 1951, the company tendered to the sinking fund agent 449 shares of 5% preferred stock which it had purchased at a cost of \$11,449.50. Against the sinking fund requirement due September 1, 1952 the company may apply a credit of \$7,210.94 which it has with the sinking fund agent and 1,369 shares of preferred stock reacquired and held in treasury at a cost of \$54,384.88.

Holders of the cumulative preferred stock are entitled to \$50 per share plus accrued dividends upon involuntary liquidation and to the then current redemption price per share specified above plus accrued dividends upon voluntary liquidation.

As long as the preferred stock is outstanding the company cannot pay any dividends on the common stock unless (a) all dividends and sinking fund requirements with respect to the preferred stock shall have been met and (b) the net earnings (as defined in the certificate of incorporation) subsequent to May 1, 1946 equal the sum of (i) the aggregate of all dividends (other than dividends paid in stock subordinate to the preferred stock) paid subsequent to incorporation on all distributions made in respect of any class of stock; (ii) the excess of the aggregate of all amounts expended or set aside for the purchase, redemption or other acquisition of stock subordinate to the preferred stock over the net cash proceeds received from the issue or sale subsequent to June 1, 1946 of stock subordinate to the preferred stock and (iii) an amount of \$300,000.00. Under the foregoing provision the earnings retained for use in the business was restricted as to the payment of dividends on common stock to the extent of \$10,631.88 at April 30, 1952.

On May 27, 1952, the company offered to its preferred and common stockholders rights to purchase, on the basis of full units of one share of its common stock at \$9.00 per share and five shares of common stock of a new corporation, National Chlorophyll and Chemical Company, at \$2.00 per share, an aggregate of 69,800 shares of its own authorized and unissued common stock and an aggregate of 349,000 shares of the new corporation's common stock.

The proceeds from the sale of the 69,800 shares of common stock are to be used in turn to purchase 305,000 shares of common stock in the new corporation at \$2.00 per share. The company is committed to purchase the 305,000 shares of stock in the new corporation whether or not the proceeds from the proposed sale of its common stock is sufficient for this purpose.

ACCOUNTANTS' REPORT

The Midwest Stock Exchange,
120 South LaSalle Street,
Chicago, Illinois.

We have examined the balance sheet of National Alfalfa Dehydrating and Milling Company as of April 30, 1952 and the related statements of earnings, earnings retained for use in the business, and capital in excess of par value for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, earnings retained in the business, and capital in excess of par value present fairly the financial position of National Alfalfa Dehydrating and Milling Company at April 30, 1952 and the results of its operations for the four years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Denver, Colorado,
May 20, 1952.

SUMMARY OF SALES AND EARNINGS

For Fiscal Year Ending

	May 4, 1946 to Apr. 30, 1947	Apr. 30, 1948	Apr. 30, 1949	Apr. 30, 1950	Apr. 30, 1951	Apr. 30, 1952
Net Sales	\$10,937,340	\$9,413,115	\$8,371,481	\$7,377,570	\$8,350,784	\$10,131,334
Cost of Sales	10,071,603	8,659,521	8,030,785	7,128,443	8,040,921	8,970,521
Other Income	\$ 865,737 7,427	\$ 753,594 7,177	\$ 340,696 7,360	\$ 249,127 14,440	\$ 309,863 20,832	\$ 1,160,813 26,826
Other charges	\$ 873,164 85,607	\$ 760,771 73,013	\$ 348,056 79,416	\$ 263,567 86,370	\$ 330,695 80,889	\$ 1,187,639 106,461
Profit before income taxes	\$ 787,557	\$ 687,758	\$ 268,640	\$ 177,197	\$ 249,806	\$ 1,081,178
Federal and State taxes	335,706	295,656	129,000	94,000	134,000	598,000
Net profit	\$ 451,851	\$ 392,102	\$ 139,640	\$ 83,197	\$ 115,806	\$ 483,178
Dividends paid on preferred stock ..	146,250	146,274	142,010	140,923	140,923	139,317
Net earnings—common stock	\$ 305,601	\$ 245,828	\$ (2,370)	\$ (57,726)	\$ (25,117)	\$ 343,861
Earnings per share of common stock (1)	48¢	38¢	(37¢)	(9¢)	(3.9¢)	53¢
Dividends paid per share of common stock	36¢	—	—	—	—	—

(1) Based on 643,000 shares of common stock outstanding during above years.

AGREEMENTS

In consideration of the premises, the undersigned hereby agrees with the Midwest Stock Exchange as follows:

1. To notify the Exchange promptly of any change in the general character or nature of its business.
2. To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
3. Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
4. To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
5. To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City and County of Denver, State of Colorado, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City and County of Denver, State of Colorado, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Denver transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Denver and in the interim will act as its own transfer agent in said City. In the event the Denver transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Denver, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
6. Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
7. Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
8. To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
9. To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
10. Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
11. To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
12. To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

13. To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
 14. Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
 15. To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
 16. The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange, or, on notice and opportunity to be heard, remove the said securities from the list.
 17. To furnish the Exchange, at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
 18. To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.
- Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

The company's fiscal year ends on April 30th.

The principal executive office of the company is at Lamar, Colorado.

The statutory address of the company is in care of The Corporation Trust Company, 100 West Tenth Street, Wilmington, Delaware.

The annual meeting of the stockholders is held at the executive office of the company at Lamar, Colorado, on the fourth Tuesday in July of each year at one o'clock P. M., if not a legal holiday, and if a legal holiday, then on the next succeeding business day. The holders of a majority of the outstanding common and preferred stock combined constitute a quorum for a stockholders' meeting, except as otherwise provided by law.

The transfer agents for the company's common stock and their addresses are:

The International Trust Company,
17th and California Streets,
Denver, Colorado.

The Chase National Bank of the City of New York,
11 Broad Street,
New York, New York.

The registrars of the company's common stock and their addresses are:

The United States National Bank of Denver,
17th and Stout Streets,
Denver, Colorado.

The New York Trust Company,
100 Broadway,
New York, New York.

NATIONAL ALFALFA DEHYDRATING AND MILLING COMPANY

By /s/ J. C. HEARN
J. C. Hearn, *President*

Brad Foote Gear Works, Inc.

(A Delaware Corporation)

Common Stock

(Par Value 20¢ Per Share)

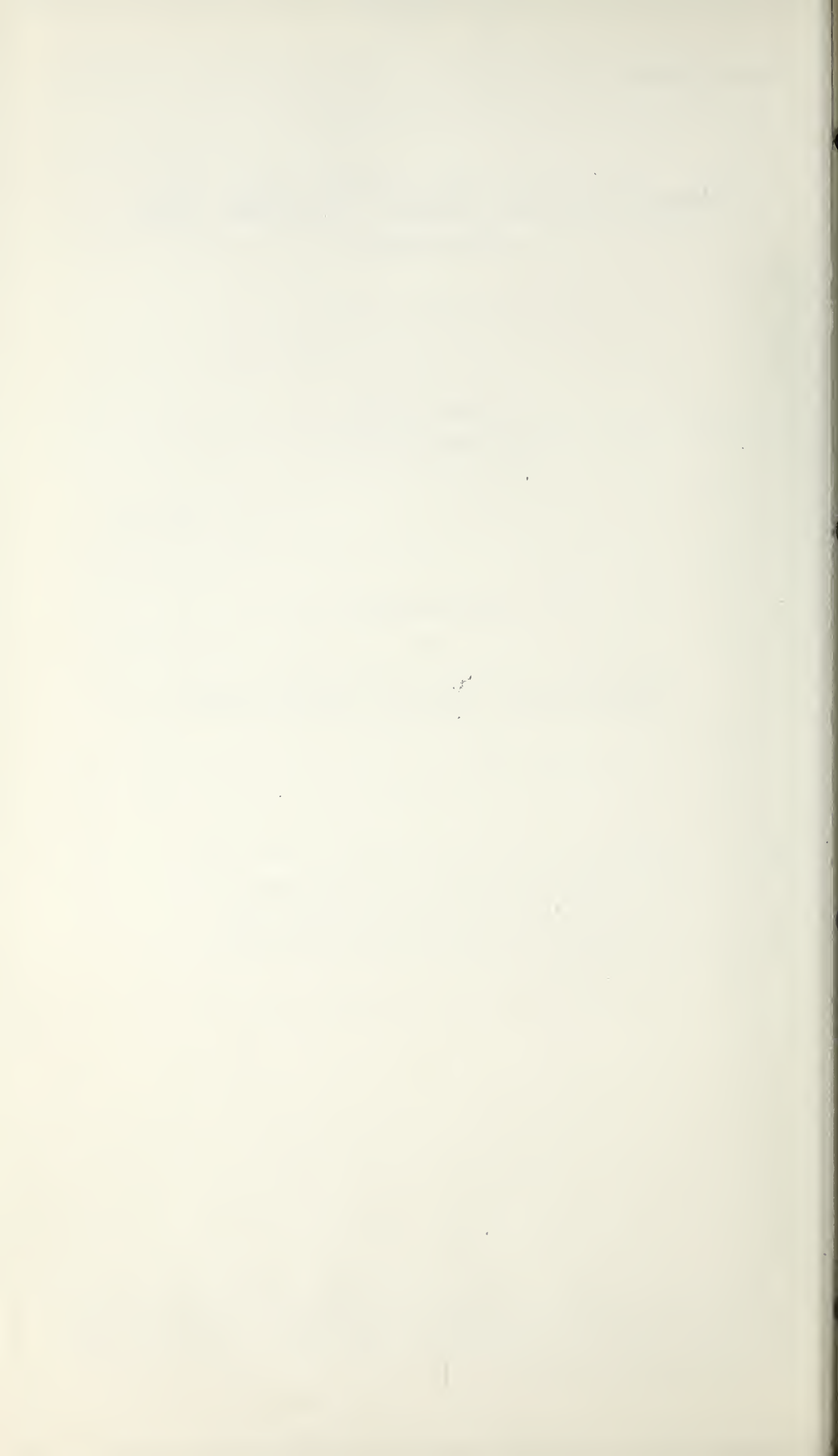
Prepared by the Company

for

Midwest Stock Exchange

Brad Foote Gear Works, Inc. has made application to list 849,000 shares of its Common Stock, 20¢ par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on Sept. 23, 1952.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.



Brad Foote Gear Works, Inc.

(A Delaware Corporation)

Common Stock (Par Value 20¢ Per Share)

Brad Foote Gear Works, Inc., has made application to list 849,000 shares of its common stock, par value 20¢ per share, on the Midwest Stock Exchange, the Executive Committee of which approved such application on Sept. 23, 1952.

CAPITALIZATION

(as of September 15, 1952)

Capital Stock	Number of Shares Authorized	Number of Shares Outstanding
Common stock, par value 20¢ per share.....	1,000,000	849,000

None of the 151,000 shares of unissued stock is reserved for any purpose or purposes and there are no contracts, agreements or options for the purchase or sale of any of such unissued stock.

The Company has no funded debt. The Company is, however, liable under the following obligations: The Company is indebted on three (3) 4% serial notes in the face amount of \$30,000. Said notes mature at the rate of \$10,000 on June 30, 1953; \$10,000 on June 30, 1954, and \$10,000 on June 30, 1955. The Company is further indebted on a V-Loan Agreement dated July 15, 1952, with the Live Stock National Bank of Chicago, providing for revolving credit of not to exceed \$2,750,000. There was currently borrowed, as of July 31, 1952 on said V-Loan by the Company the sum of \$1,635,000.

The Company further carries a liability on its books for deferred income taxes for the years 1943 and 1944 in the amount of \$186,153.84, plus accrued interest. The amount of such taxes have been deferred and were not paid because of pending applications for relief under Sections 721 and 722 of the Internal Revenue Code.

DESCRIPTION OF COMMON STOCK

The rights and privileges attached to each share of common stock are equal in all respects to the rights and privileges attached to every such other share of common stock. Each share is entitled to exercise one vote. The holders of the stock enjoy the right to cumulative voting for directors under the charter of the Company. All shares participate equally in dividends and in liquidation incident to dissolution.

Under the V-Loan Agreement which the Company has with The Live Stock National Bank of Chicago, dated July 15, 1952, the Company has agreed that it will not redeem any shares of its capital stock or declare in any fiscal year dividends on its stock which shall be in excess of 10% of its net earnings for such fiscal year.

Under the charter of the Company the holders of outstanding stock do not have pre-emptive rights to subscribe or purchase additional stock issued by the Company.

HISTORY AND BUSINESS

The Company's predecessor, Foote Gear Works, Inc., an Illinois corporation, was organized by Bradford Foote, Sr., in 1924. Mr. Bradford Foote, Sr., was formerly associated with the Foote Bros. Gear and Machine Co., which was also located at Chicago, Illinois, from 1906 to 1924. In 1924, he withdrew from the Foote Bros. Gear and Machine Co., and formed the Foote Gear Works, Inc., predecessor to the present Company. On October 6, 1941, the present Company was organized and took over all of the business and assets of the old Foote Gear Works, Inc. The principal purpose of organizing the present Company was because of the confusion caused in the industry in the similarity of names of the Company's predecessor and Foote Bros. Gear and Machine Co.

The Company manufactures a wide variety of gears and speed reducers. It further manufactures as a subcontractor for the United States Army Ordnance final drives, transmissions and arm assemblies for tanks. The Company serves many leading corporations in the automotive, aviation, farm implement, machine tool, railroad, ship-building, construction, mining, steel, oil, and other industries. The Company claims to be the most diversified gear manufacturer in the country. At the present time the Company and its subsidiaries employ approximately 943 employees.

The sales of the Company's products are solicited by catalogues, circulars, salesmen, and also accomplished by independent brokerage concerns. All sales are made direct from the Company to the customer.

The total sales for the Company's products in the past three (3) years are as follows: Year ending September 30, 1949—\$2,601,172.18; year ending September 30, 1950—\$1,476,457.09; year ending September 30, 1951—\$6,539,842.46, net sales for the period from September 30, 1951, to July 31, 1952—\$14,846,227.39. It is estimated that the net sales of the Company for the fiscal year ended September 30, 1952, will be \$18,000,000.

PROPERTIES

The Company leases two plants at Cicero, Illinois. The leased plants adjoin each other and are completely integrated, have been well maintained and are in good condition. Said plants are of brick and steel construction, consisting of approximately 120,000 square feet of floor space. 30,000 square feet of the old plant was built in 1921, with an additional 30,000 square feet being added in 1936. An additional plant of 60,000 square feet was built in 1942 by the Navy during World War II. The Company pays a total monthly rental for these plants at the present time of \$4,791.66.

All of the machinery, tools, and equipment located in the plant are owned by the Company except for certain machinery owned by the United States Army Ordnance Department and used by the Company on ordnance work, and certain machinery owned by the United States Navy Department and used by the Company on Navy work. The Company has approximately 275 machine tools, all of which are in good operating condition, and claims to have the most modern heat treating plant in the industry. All gears manufactured by the Company are completely processed and heat treated in the Company's plant.

The Company's subsidiary, American Gear and Mfg. Co., operates a plant at Lemont, Illinois, which was recently leased from the Lemont Realty Company, which contained approximately 61,000 square feet of floor space. This plant is located on a 7-acre tract of land with a spur track from the Gulf, Mobile and Ohio Railroad. This plant was formerly owned and occupied by the Reynolds Metals Co. The Lemont Realty Company is owned by certain stockholders of the Company. The rental on said plant was fixed by a disinterested appraiser at an annual figure of \$28,000. The American Gear and Mfg. Co., has leased the plant at said rental for a period of five years, expiring February 28, 1956.

The Company's subsidiary, Pittsburgh Gear Company, operates a plant at 27th and Smallman Streets, in Pittsburgh, Pennsylvania. The factory building and real estate are leased from Lou Mervis, who is not affiliated with the Company in any way, for a period of five years at an annual rental of \$25,000 for the first two years and for the sum of \$14,333.33 annually for the remaining three years of said term. This lease expires on October 31, 1956.

SUBSIDIARY AND AFFILIATED COMPANIES

The Company owns all of the issued and outstanding capital stock of American Gear and Manufacturing Co. Said subsidiary operates a plant at Lemont, Illinois, and is a manufacturer of gears and speed reducers, and makes the same products as does the Company. Said subsidiary has an authorized issuance of 100 shares of stock having a par value of \$10.00 per share. There are issued and outstanding 100 shares of such stock, which are all owned by the Company.

The Company owns all of the issued and outstanding capital stock of the Pittsburgh Gear Company, which subsidiary operates a plant at Pittsburgh, Pennsylvania, and is a manufacturer of gears and speed reducers and makes the same products as does the Company. Said subsidiary has an authorized issuance of 5,000 shares of common stock having a par value of \$100 per share. There are issued and outstanding 1,000 shares of such stock, which are all owned by the Company.

STOCK DISTRIBUTION

In May of 1951 the Company sold to the public 150,000 shares of common stock having a par value of 20 cents each through underwriters, Gearhart, Kinnard & Otis, 45 Nassau Street, New York, New York, and White & Company, Mississippi Valley Trust Building, St. Louis, Missouri, which said securities were sold to the public at a price of \$2.00 per share. The proceeds of such sale of securities were used for additional working capital.

865 stockholders own the 849,000 issued shares of the common stock of the Company. The largest stockholder, who is an officer and director, owns 187,400 shares, or 22%. The ten largest stockholders own 417,302 shares. The officers and directors as a group own 322,650 shares, or 38%.

32 stockholders own from	1 to	25 shares
68 stockholders own from	26 to	50 shares
285 stockholders own from	51 to	100 shares
162 stockholders own from	101 to	200 shares
65 stockholders own from	201 to	300 shares
21 stockholders own from	301 to	400 shares
79 stockholders own from	401 to	500 shares
74 stockholders own from	501 to	1,000 shares
79 stockholders own over		1,000 shares.

The stock is held by residents of twenty-seven states and the District of Columbia.

DIRECTORS AND OFFICERS

<u>Name of Director or Officer</u>	<u>Complete Mailing Address</u>	<u>Positions and Offices Held</u>
Gunnar E. Gunderson	1309 South Cicero Avenue Cicero 50, Illinois	President, General Manager and Director
E. G. Lindgren	1309 South Cicero Avenue Cicero 50, Illinois	Vice President, Factory Manager and Director
H. J. Buescher	1309 South Cicero Avenue Cicero 50, Illinois	Secretary-Treasurer, Comptroller and Director
Leo T. Norville	105 West Adams Street Chicago 3, Illinois	Director and Assistant Secretary
Ernest R. Blondis	Lemont, Illinois	Director

There are no bonus or profit sharing plans in which directors or officers of the applicant are eligible to participate, nor any pension, retirement, savings or similar plan wholly or partly for the benefit of officers of the Company to which the Company or its subsidiaries contribute.

DIVIDEND RECORD

The Company has never paid any dividends on its issued and outstanding common stock. Until May of 1951, the Company's stock was closely held by a small number of stockholders, and all earnings of the Company were retained and added to working capital. Since the Company, in May of 1951, made a public offering of a portion of its stock, the Company expects to pay dividends when in the discretion of its Board of Directors the earnings and working capital of the Company will permit.

FINANCIAL STATEMENTS

The following financial statements are included in this circular:

1. Auditors' Certificate.
2. Balance Sheet—September 30, 1951.
3. Statements of Income—September 30, 1949—1950—1951.
4. Consolidated Balance Sheet—September 30, 1951.
5. Consolidated Statement of Income—September 30, 1951.
6. Statements of Surplus Accounts—September 30, 1949—1950—1951.
7. Notes to Financial Statements—September 30, 1951.

ACCOUNTANTS' CERTIFICATE

To the Midwest Stock Exchange:

We have examined the balance sheet and the consolidated balance sheet of Brad Foote Gear Works, Inc., a Delaware corporation of Cicero, Illinois, and its wholly-owned subsidiary, American Gear & Mfg. Co., an Illinois corporation of Lemont, Illinois, as of September 30, 1951, and the related statements of income and surplus for the three fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income and surplus present fairly the position of Brad Foote Gear Works, Inc. and its wholly-owned subsidiary corporation at September 30, 1951 and the results of their operations for the three fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LESTER WITTE & COMPANY
Certified Public Accountants

Chicago 4, Illinois

September 7, 1952 as of November 15, 1951, except for the matters covered in Notes 7 and 8 to the Financial Statements.

BRAD FOOTE GEAR WORKS, INC.

BALANCE SHEET—SEPTEMBER 30, 1951

ASSETS

CURRENT ASSETS:

Cash in Banks on Demand Deposit and on Hand		\$ 326,886.28	
Accounts Receivable:			
U. S. Government Contracts (Pledged Per Contra) (Note 1):			
Accounts Receivable	\$ 847,641.22		
Unbilled Machinery Purchases	406,493.44		
Collections Held by the Bank	3,732.09		
Trade Customers (Less \$17,924.85 Estimated Loss on Collections)	565,331.89		
Creditors and Others	57,154.41		
Total Accounts Receivable		1,880,353.05	
Inventories (at Lower of Cost or Market Values):			
U. S. Government Contracts in Process	\$1,315,125.37		
Other Work in Process	509,944.99		
Materials and Reducer Parts	152,717.91		
Total Inventories		1,977,788.27	
Other Current Assets:			
Cash Value of Life Insurance (Pledged Per Contra) (Note 1)	\$ 21,397.36		
Unexpired Insurance	10,941.17		
Prepaid Rent, Interest and Advances	8,580.69		
Total Other Current Assets		40,919.22	
Total Current Assets			\$4,225,946.82

INVESTMENTS AND OTHER ASSETS:

Stock in Wholly-Owned Subsidiary	\$ 25,000.00	
Stock in Other Company (at Market Value)	34,813.00	
Non-Current Claim	30,757.81	
Total Investments and Other Assets		90,570.81

	Cost	Depreciation to Date	Book Value
PROPERTY AND EQUIPMENT (Note 2):			
Machinery and Equipment	\$751,332.33	\$ 414,519.96	\$ 336,812.37
Tools and Patterns	76,066.72	33,011.08	43,055.64
Furniture and Fixtures	57,209.70	28,246.31	28,963.39
Auto Truck	2,786.09	290.20	2,495.89
Total Cost	\$887,394.84		
Total Depreciation to Date		\$ 476,067.55	
Net Property and Equipment			411,327.29
TOTAL ASSETS			\$4,727,844.92

LIABILITIES

CURRENT LIABILITIES:

Notes Payable to Bank Secured Per Contra (Note 1)		\$1,895,000.00	
Accounts Payable:			
Trade Creditors	\$ 842,697.30		
Customers' Deposits and Credits	21,837.04		
Total Accounts Payable		864,534.34	
Accrued Expenses:			
Payroll and Commissions	\$ 131,354.64		
Payroll Taxes and Deductions	46,221.75		
Property Taxes, Interest, etc.	9,149.35		
Total Accrued Expenses		186,725.74	
Other Current Liabilities:			
Accrued Officers' Compensation (\$57,812.67 Subordinated) (Note 1)	\$ 68,137.45		
4% Serial Note Due June 30, 1952	10,000.00		
Due to Subsidiary	50,045.59		
Total Other Current Liabilities		128,183.04	
Total Current Liabilities			\$3,074,443.12

OTHER LIABILITIES:

4% Serial Notes Due \$10,000 Annually Less Current Note Above	\$ 30,000.00	
Deferred Income Taxes of Prior Years and Accrued Interest (Notes 3 and 8)	267,955.57	
Total Other Liabilities		297,955.57

CAPITAL

CAPITAL CONTRIBUTED:

Common Stock, 20 Cent Par Value, 1,000,000 Shares Authorized; Issued and Outstanding 849,000 Shares (Note 4)	\$ 169,800.00	
Paid-in Surplus	352,620.02	
Total Capital Contributed		\$ 522,420.02

EARNED SURPLUS	833,026.21	
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Total Capital	1,355,446.23	
TOTAL LIABILITIES AND CAPITAL	\$4,727,844.92	

Note: The accompanying "Notes to Financial Statements" are an integral part of this Balance Sheet.

BRAD FOOTE GEAR WORKS, INC.
STATEMENTS OF INCOME
Fiscal Years Ended September 30, 1949, 1950, 1951

	Fiscal Years Ended		
	Sept. 30, 1949	Sept. 30, 1950	Sept. 30, 1951
NET SALES:			
Gross Sales	\$2,809,008.81	\$1,610,888.14	\$6,738,288.52
Less Discounts and Allowances	207,836.63	134,431.05	198,446.06
Net Sales	<u>\$2,601,172.18</u>	<u>\$1,476,457.09</u>	<u>\$6,539,842.46</u>
COST OF GOODS SOLD:			
Material Purchases, Net	\$ 875,212.74	\$ 451,594.10	\$4,695,961.87
Productive Labor	665,035.30	453,887.36	950,136.51
Factory Overhead	755,348.97	572,086.33	1,580,175.80
Inventory, Beginning of Year	577,972.86	229,946.53	194,812.31
Total	<u>\$2,873,569.87</u>	<u>\$1,707,514.32</u>	<u>\$7,421,086.49</u>
Less Inventory, End of Year	229,946.53	194,812.31	1,977,788.27
Cost of Goods Sold	<u>\$2,643,623.34</u>	<u>\$1,512,702.01</u>	<u>\$5,443,298.22</u>
Gross Profit or (Loss)	<u>\$ (42,451.16)</u>	<u>\$ (36,244.92)</u>	<u>\$1,096,544.24</u>
OPERATING EXPENSES:			
Provision for Bad Debts	\$ 7,032.36	\$ —	\$ 13,059.90
Shipping Expenses	29,513.29	25,852.14	50,829.85
Selling Expenses	96,567.62	24,470.62	108,513.22
Administrative Expenses	138,934.39	150,498.09	132,862.61
Executive Officers' Salaries	73,908.46	67,731.50	133,405.60
Total Operating Expenses	<u>\$ 345,956.12</u>	<u>\$ 268,552.35</u>	<u>\$ 438,671.18</u>
OPERATING PROFIT OR (LOSS)	<u>\$ (388,407.28)</u>	<u>\$ (304,797.27)</u>	<u>\$ 657,873.06</u>
Other Income:			
Interest on Tax Refund Claim	\$ 5,947.00	\$ 5,947.00	\$ 3,940.18
Gain on Sale of Assets	53,381.64	43,141.49	733.37
Credit Balances Written Off, etc.	27,204.35	116.76	—
Income Tax Carry-Back Refund	8,039.11	—	—
Total Other Income	<u>\$ 94,572.10</u>	<u>\$ 49,205.25</u>	<u>\$ 4,673.55</u>
Gross Income or (Loss)	<u>\$ (293,835.18)</u>	<u>\$ (255,592.02)</u>	<u>\$ 662,546.61</u>
Income Deductions:			
Interest on Serial Notes	\$ —	\$ 500.00	\$ 1,900.00
Interest on Deferred Taxes	12,410.00	12,410.00	11,169.19
Other Interest	9,720.07	5,033.63	44,959.63
Contract Termination Claim Adjustment	63,295.90	—	—
Property Tax Accrual Adjustment	2,403.81	—	—
Total Income Deductions	<u>\$ 87,829.78</u>	<u>\$ 17,943.63</u>	<u>\$ 58,028.82</u>
NET INCOME OR (LOSS) for years	<u><u>\$ (381,664.96)</u></u>	<u><u>\$ (273,535.65)</u></u>	<u><u>\$ 604,517.79</u></u>

Note: The accompanying "Notes to Financial Statements" are an integral part of these Statements of Income.

BRAD FOOTE GEAR WORKS, INC. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET—SEPTEMBER 30, 1951

ASSETS

CURRENT ASSETS:

Cash in Banks on Demand Deposit and on Hand		\$ 335,068.64	
Accounts Receivable:			
U. S. Government Contracts (Pledged Per Contra) (Note 1):			
Accounts Receivable	\$ 847,641.22		
Unbilled Machinery Purchases	406,493.44		
Collections Held by the Bank	3,732.09		
Trade Customers (Less \$17,924.85 Estimated Loss on Collections)	566,984.34		
Creditors and Others	57,154.41		
Total Accounts Receivable		1,882,005.50	
Inventories (at the Lower of Cost or Market Values):			
U. S. Government Contracts in Process	\$1,315,125.37		
Other Work in Process	509,944.99		
Materials and Reducer Parts	152,717.91		
Total Inventory		1,977,788.27	
Other Current Assets:			
Cash Surrender Value of Life Insurance (Pledged Per Contra) (Note 1)	\$ 21,397.36		
Unexpired Insurance	16,235.79		
Prepaid Rent, Interest and Advances	10,914.02		
Total Other Current Assets		48,547.17	
Total Current Assets			\$4,243,409.58

OTHER ASSETS:

Non-Current Claim	\$ 30,757.81		
Stock in Other Company (at Market)	34,813.00		
Total Other Assets			65,570.81

	Cost	Depreciation to Date	Book Value
PROPERTY AND EQUIPMENT (Note 2):			
Machinery	\$751,332.33	\$ 414,519.96	\$ 336,812.37
Tools, Patterns, etc.	76,066.72	33,011.08	43,055.64
Furniture and Fixtures	57,379.53	28,254.80	29,124.73
Auto Truck	2,786.09	290.20	2,495.89
Total Cost	<u>\$887,564.67</u>		
Total Depreciation to Date		<u>\$ 476,076.04</u>	
Net Book Value			411,488.63
TOTAL ASSETS			<u>\$4,720,469.02</u>

LIABILITIES

CURRENT LIABILITIES:

Notes Payable to Bank (Secured Per Contra) (Note 1)		\$1,895,000.00	
Accounts Payable:			
Trade Creditors	\$ 844,466.74		
Customers' Deposits and Credits	21,837.04		
Total Accounts Payable		866,303.78	
Accrued Expenses:			
Payroll and Commissions	\$ 140,392.23		
Taxes and Other Expenses	64,858.21		
Total Accrued Expenses		205,250.44	
Other Current Liabilities:			
Accrued Officers' Compensation (\$57,812.67 Subordinated) (Note 1)	\$ 68,137.45		
4% Serial Note Due June 30, 1952	10,000.00		
Federal Income Tax Payable (Note 3)	6,154.81		
Total Other Liabilities		84,292.26	
Total Current Liabilities			\$3,050,846.48

OTHER LIABILITIES:

4% Serial Notes Due \$10,000.00 annually, Less Current Note Above	\$ 30,000.00		
Deferred Income Taxes of Prior Years and Interest (Notes 3 and 8)	267,955.57		297,955.57
Total Liabilities			<u>\$3,348,802.05</u>

CAPITAL

CAPITAL CONTRIBUTED:

Common Stock, 20 Cent Par Value, 1,000,000 Shares Authorized; issued and outstanding 849,000 Shares (Note 4)	\$ 169,800.00		
Paid-in surplus	352,620.02		
Total Capital Contributed		\$ 522,420.02	

CONSOLIDATED EARNED SURPLUS

Total Capital		849,246.95	
TOTAL LIABILITIES AND CAPITAL			<u>1,371,666.97</u>
			<u>\$4,720,469.02</u>

Note: The accompanying "Notes to Financial Statements" are an integral part of this Consolidated Balance Sheet.

BRAD FOOTE GEAR WORKS, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME

Fiscal Year Ended September 30, 1951

	Fiscal Year Ended September 30, 1951
NET SALES:	
Gross Sales	\$6,738,882.77
Less Discounts and Allowances	198,446.06
Net Sales	\$6,540,436.71
COST OF GOODS SOLD:	
Material Purchases, Net	\$4,456,656.82
Productive Labor	1,013,048.03
Factory Overhead	1,723,604.97
Inventory, Beginning of Year	194,812.31
Total	\$7,388,122.13
Less Inventory, End of Year	1,977,788.27
Total Cost of Goods Sold	5,410,333.86
Gross Profit	\$1,130,102.85
OPERATING EXPENSES:	
Shipping Expenses	\$ 53,476.77
Selling Expenses	108,852.55
Administrative Expenses	148,719.32
Executive Officers' Salaries	138,805.60
Total Operating Expenses	449,854.24
OPERATING PROFIT	\$ 680,248.61
Other Income:	
Interest Earned	\$ 3,940.18
Gain on Sale of Assets	733.37
Total Other Income	4,673.55
Gross Income	\$ 684,922.16
Income Deductions:	
Interest on Serial Notes	\$ 1,900.00
Interest on Deferred Taxes	11,169.19
Other Interest	44,959.63
Total Income Deductions	58,028.82
Net Income Before Taxes	\$ 626,893.34
FEDERAL INCOME TAXES	6,154.81
NET INCOME FOR YEAR	\$ 620,738.53

Note: The accompanying "Notes to Financial Statements" are an integral part of this Consolidated Statement of Income.

BRAD FOOTE GEAR WORKS, INC.

STATEMENTS OF SURPLUS ACCOUNTS

Fiscal Years Ended September 30, 1949, 1950, 1951

	Fiscal Years Ended			
	Sept. 30, 1949	Sept. 30, 1950	Sept. 30, 1951	Sept. 30, 1951 (Consolidated)
PAID-IN SURPLUS:				
Paid-in Surplus, Beginning of Period	\$281,634.34	\$281,634.34	\$134,384.08	\$134,384.08
Add Excess of Issue Price Over Par Value of Common Stock Sold, Less Expenses	—	6,750.00	218,235.94	218,235.94
Balance	\$281,634.34	\$288,384.34	\$352,620.02	\$352,620.02
Deduct Excess of Cost Over Par Value of Treasury Stock Retired Applicable to Paid-in Surplus	—	154,000.26	—	—
Paid-in Surplus, End of Period	\$281,634.34	\$134,384.08	\$352,620.02	\$352,620.02
EARNED SURPLUS:				
Earned Surplus, Beginning of Period	\$898,537.77	\$470,595.36	\$228,508.42	\$228,508.42
Net Income or (Loss) for Year	(427,942.41)	(234,007.82)	604,517.79	620,738.53
Balance	\$470,595.36	\$236,587.54	\$833,026.21	\$849,246.95
Deduct Excess of Cost Over Paid-in Value of Treasury Stock Retired	—	8,079.12	—	—
Earned Surplus, End of Period	\$470,595.36	\$228,508.42	\$833,026.21	\$849,246.95

Note: The accompanying "Notes to Financial Statements" are an integral part of these Statements of Surplus Accounts.

BRAD FOOTE GEAR WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 1951

1. Notes Payable to Bank

The company has an agreement for a \$3,000,000 "V" loan of which \$1,880,000 was outstanding in notes payable to the Live Stock National Bank on September 30, 1951. It has assigned the U. S. Government contracts as collateral. The agreement limits salary payments to officers and requires the maintenance of minimum working capital of \$225,000.00. It also restricts dividends to 10% of the net income for the year.

The cash surrender value of life insurance policies on officers was pledged to secure a loan of \$15,000.00.

2. Property and Equipment

Brad Foote Gear Works, Inc. has a five-year renewable lease on the premises they occupy at 1309 South Cicero Avenue, Cicero, Illinois. The plant in Lemont, Illinois leased by the wholly owned subsidiary, American Gear & Mfg. Co., is being equipped with machinery for defense work under a contract with the U. S. Government. Expenditures to September 30, 1951 total \$691,621.

3. Federal Income Taxes

The Federal income taxes for the fiscal year were computed with the use of net operating loss deductions amounting to \$611,911 carried over from prior year. The unused balance of carryover losses will not materially reduce the income and excess profits tax of the next fiscal year.

The company has on file some contested claims for excess profits tax refunds which are carried at no value. All taxes, as determined by the Treasury Department through September 30, 1947, are reflected in the liabilities.

4. Common Stock Issued

A new issue, 1,000,000 shares of 20 cent par value common stock, was authorized on March 16, 1951. Holders of one share of the \$10.00 par value stock were entitled to fifty new shares in exchange.

An additional 150,000 shares of the new stock were sold for \$2.00 per share. The net proceeds realized after deducting expenses and underwriters' commissions were \$248,236.

BRAD FOOTE GEAR WORKS, INC.
NOTES TO FINANCIAL STATEMENTS—(Continued)

September 30, 1951

5. Renegotiation

The company's net income is subject to the provisions of the Renegotiation Act of 1948 for the period prior to January 1, 1951 and to the provisions of the Renegotiation Act of 1951 for the nine months ended September 30, 1951. In the opinion of the management, no provision for renegotiation refunds were required for the current fiscal year.

6. Consolidation

The consolidated Financial Statements include the operations of American Gear & Mfg. Co., a wholly owned subsidiary which was inactive prior to February 1951.

All intercompany items and transactions have been eliminated in the consolidation.

7. The Pittsburgh Gear Company of Pittsburgh, Pennsylvania was incorporated November 14, 1951 in the State of Delaware. Its capital consists of 1,000 shares of common stock having a par value of \$100 per share, all of which were issued to Brad Foote Gear Works, Inc. in exchange for the following assets:

Mine line inventory	\$ 75,000.00
Tools, dies and patterns	25,000.00
Total payment for 1,000 shares of common stock of \$100 par	<u>\$100,000.00</u>

Brad Foote Gear Works, Inc. purchased the above assets as of November 1, 1951, giving in exchange the following:

Certificate No. 29070 covering 8,984 shares of common stock of Federal Machine & Welder Co. (at market value)	\$ 34,813.00
Agreement dated June 25, 1951, due June 1, 1952 on indebtedness from Federal Machine & Welder Co. (at face value)	44,024.60
Cash payable March 15, 1952	<u>21,162.40</u>
Total cost of assets purchased	<u>\$100,000.00</u>

8. Income Taxes of Prior Years Plus Interest

The company deferred a portion of its excess profits taxes for the two years ended September 30, 1943 and 1944, pending the outcome of its refund claims thereon. On September 4, 1952 the company directed its counsel to terminate the proceedings thereon and enter into a stipulation agreeing to the assessment to the amounts deferred.

The net amount deferred was	\$186,153.84
The interest accrued to September 30, 1951 was	<u>81,801.73</u>
Total income taxes of prior years and interest	<u>\$267,955.57</u>

9. Adjustments to Statements of Income and Surplus

The statements of income and surplus for the three years ended September 30, 1951 reflect certain adjustments applied retroactively to the accounts as follows:

(a) During the year ended September 30, 1949 the company reflected in its accounts certain adjustments made to the fiscal years ended September 30, 1943-47 inclusive made by the Bureau of Internal Revenue as follows:

Credits to profit and loss:	
1. Decrease in Pension Fund accrual years 1943-47	\$ 5,527.63
2. Items capitalized during the year which had been charged to expense in previous years less accrued depreciation	<u>5,433.65</u>
Total credits	\$ 10,961.28
Debits to profit and loss:	
1. Increase in deferred income taxes	\$ 6,922.74
2. Renegotiation adjustments	<u>47.08</u>
Total debits	6,969.82
Net credit to income restated	<u>\$ 3,991.46</u>

(b) During the year ended September 30, 1949 the company made provision for a loss on the collection of a contract termination claim with the Federal Machine & Welder Co. Other adjustments were made in later years and they have been restated to reflect the final settlement as follows:

Charged to profit and loss in the fiscal year ended September 30, 1949	\$122,431.62
Adjustment of claim credited to profit and loss in the fiscal year ended September 30, 1950	<u>59,135.72</u>
Net final adjustment applicable to the fiscal year ended September 30, 1949	<u>\$ 63,295.90</u>

(c) During the year ended September 30, 1950 the company reflected in its profit and loss account certain adjustments applicable to prior years as follows:

Credited to profit and loss:	
1. Cancellation of accelerated depreciation disallowed as deduction by Bureau of Internal Revenue applicable to prior years	\$ 45,883.18
2. Interest accrued on tax refund claim:	
Applicable to fiscal year ended September 30, 1949	\$ 5,947.00
Applicable to prior years	<u>10,627.00</u>
Total credits	\$ 62,457.18
Debited to profit and loss account:	
1. Interest accrued on deferred income taxes:	
Applicable to fiscal year ended September 30, 1949	\$ 12,410.00
Applicable to prior years	<u>53,673.00</u>
2. Additional real estate taxes:	
Applicable to fiscal year ended September 30, 1949	\$ 694.26
Applicable to prior years	<u>10,451.62</u>
3. Additional personal property taxes:	
Applicable to fiscal year ended September 30, 1949	\$ 1,709.55
Applicable to prior years	<u>3,126.64</u>
Total debits	\$ 82,065.07
Net debit to income restated	<u>\$ 19,607.89</u>

The foregoing adjustments and their effect on earned surplus at September 30, 1948 and net income for the three years ended September 30, 1951 are summarized as follows:

	Earned Surplus Sept. 30, 1948	for the Fiscal Year Sept. 30, 1949	Net Income for the Fiscal Years Ended Sept. 30, 1950	Sept. 30, 1951
As per reports to stockholders	\$898,537.77	(\$427,942.41)	(\$234,007.82)	\$604,517.79
Adjustments as noted above:				
(a) Increase in deferred taxes	(6,922.74)	6,922.74		
Renegotiation adjustment	(47.08)	47.08		
Decrease in pension fund accrual	5,527.63	(5,527.63)		
Items capitalized	5,433.65	(5,433.65)		
(b) Adjustment of termination claim		59,135.72	(59,135.72)	
(c) Cancellation of accelerated depreciation	45,883.18		(45,883.18)	
Interest accrued on tax refund claim	10,627.00	5,947.00	(16,574.00)	
Interest accrued on deferred income taxes	(53,673.00)	(12,410.00)	66,083.00	
Additional real estate taxes	(10,451.62)	(694.26)	11,145.88	
Additional personal property taxes	(3,126.64)	(1,709.55)	4,836.19	
Total debits			\$ 82,065.07	
Net debit to income restated			<u>\$ 19,607.89</u>	
Balance as shown in accompanying statements	<u>\$891,788.15</u>	<u>(\$381,664.96)</u>	<u>(\$273,535.65)</u>	<u>\$604,517.79</u>

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
 - (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
 - (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
 - (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
 - (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
 - (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
 - (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
 - (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
 - (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
 - (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
 - (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
 - (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extension, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
 - (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
 - (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
 - (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
 - (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
 - (17) To furnish the Exchange, at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
 - (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.
- Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

OPINION OF COUNSEL

Louis L. Dent, of the firm of Norville & Dent, 105 West Adams Street, Chicago, Illinois, counsel of the Company, has given his opinion that:

1. Brad Foote Gear Works, Inc. was duly and lawfully organized under the laws of the State of Delaware on October 6, 1941, and is presently validly existing and in good standing under the laws of that state.

2. That said corporation is authorized by its charter to issue 1,000,000 shares of common stock having a par value of 20¢ per share.

3. That there are issued and outstanding 849,000 shares of said common stock; that said stock was lawfully issued and is fully paid and non-assessable, and there is no present liability attaching to the ownership thereof; and I am of the opinion that said stock is not required to be registered under the Securities Act of 1933, as amended.

Leo T. Norville, member of the firm of Norville & Dent, is Assistant Secretary and Director of the Company.

GENERAL INFORMATION

The address of the principal office of the Company is 1309 South Cicero Avenue, Cicero, Illinois.

The fiscal year of the Company ends on September 30, of each year.

The annual meeting of the stockholders is held at the principal office of the Company, at 1309 South Cicero Avenue, Cicero, Illinois, on the second Tuesday of January in each year if not a legal holiday and if a legal holiday, then on the next secular day following.

The Transfer Agents for the Common Stock of the Company are:

Continental Illinois National Bank and Trust Company
231 South LaSalle Street
Chicago 4, Illinois

United States Corporation Company
160 Broadway
New York, New York

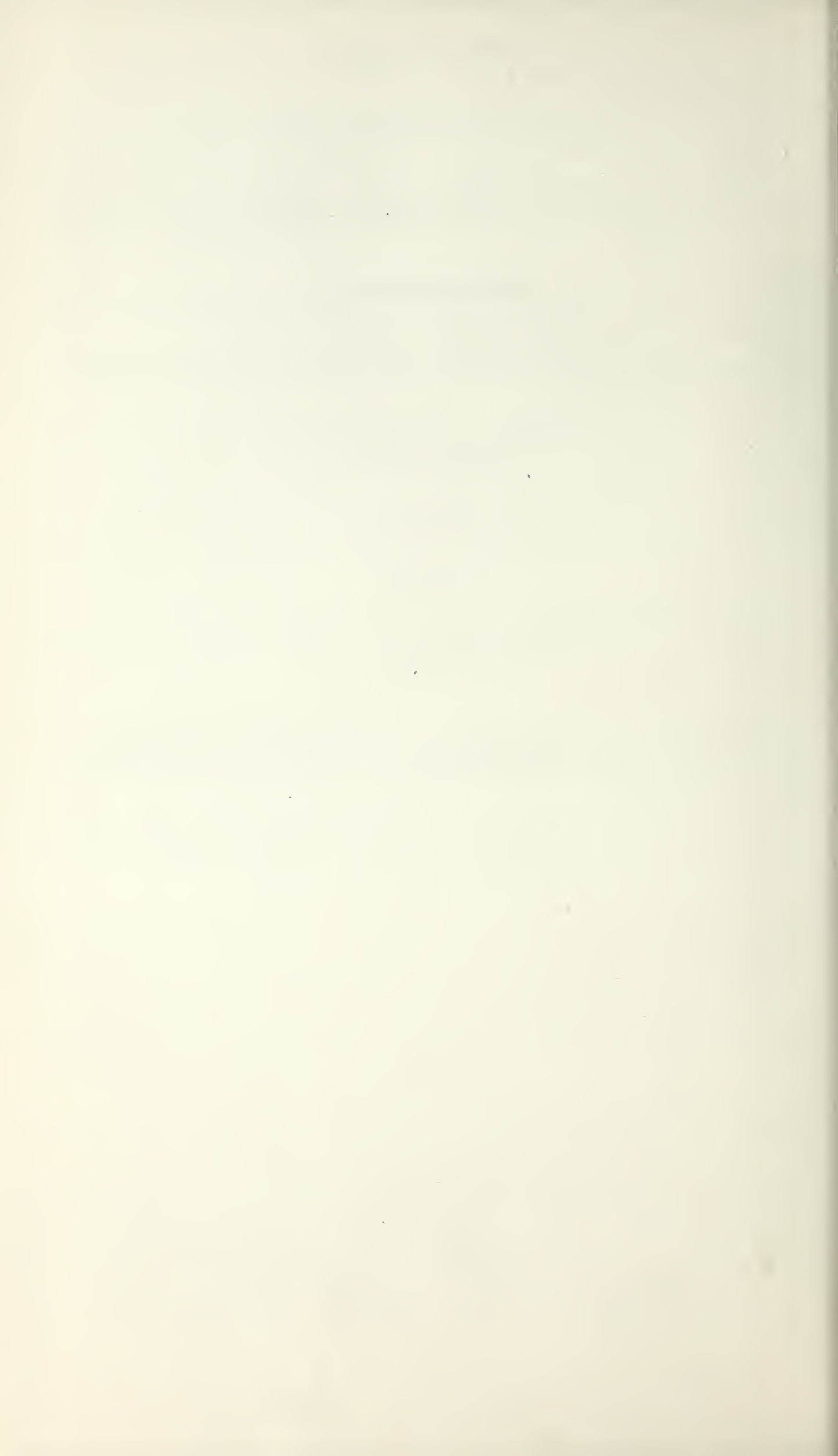
and

15 Exchange Place
Jersey City, New Jersey

The Registrar for the Common Stock of the Company is:

The Live Stock National Bank of Chicago
4150 South Halsted Street
Chicago 9, Illinois

THIS CIRCULAR IS NOT A PROSPECTUS OR AN OFFER OF SECURITIES. THE INFORMATION HEREIN IS SUBJECT TO THE MORE COMPLETE INFORMATION AND STATEMENTS RELATING TO THE SECURITIES CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES, FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MID-WEST STOCK EXCHANGE.



Amurex Oil Development Company

(A Delaware Corporation)

Class A Common Stock
(Par Value \$5 Per Share)

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UNIVERSITY OF ILLINOIS

Prepared by the Company

for

Midwest Stock Exchange

Amurex Oil Development Company has made application to list shares of its Class A Common Stock, \$5 par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on January 28, 1953.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Amurex Oil Development Company

(A Delaware Corporation)

Class A Common Stock

(Par Value \$5 Per Share)

Amurex Oil Development Company has made application to the Midwest Stock Exchange (which application was approved by the Executive Committee on January 28, 1953) for the listing of:

500,000 issued and outstanding shares of Class A Common Stock, of the par value of \$5 per share; and for authority to add to the list

500,000 authorized but unissued shares of Class A Common Stock, of the par value of \$5 per share, on official notice of issuance in conversion of 250,000 issued and outstanding shares of Class B Common Stock, of the par value of \$0.50 per share; making the total applied for

1,000,000 shares of Class A Common Stock (of a total authorized issue of 1,250,000 shares).

CAPITALIZATION

(as of September 30, 1952)

<u>Capital Stock</u>	<u>Number of Shares Authorized</u>	<u>Number of Shares Outstanding</u>
Class A Common Stock, par value \$5 per share.....	1,250,000*	500,000
Class B Common Stock, par value \$0.50 per share	250,000	250,000

*Of which 500,000 shares are reserved for conversion of Class B Common Stock.

The Company has no funded debt. As of September 30, 1952 the Company had entered into agreements for the acquisition of undeveloped oil and gas properties, drilling of wells, and exploratory work which will require the expenditure of approximately \$1,230,000 over a three year period. In addition, annual rentals on undeveloped leaseholds, including the rentals on leaseholds in process of acquisition, will amount to about \$74,000 for the next two years and about \$139,000 per year thereafter.

DESCRIPTION OF CAPITAL STOCK

Dividend Rights:

The Board of Directors of the Company, out of any funds legally available for the purpose, may declare dividends on the capital stock in such amounts as the Board of Directors in its discretion shall determine. Each share of Class A Common Stock will be entitled to ten times the amount of the dividend paid on each share of Class B Common Stock.

Liquidation Rights:

After payment or provision for payment of all obligations of the Company, the holders of capital stock are entitled upon the liquidation of the Company to receive the remaining assets of the Company with each share of Class A Common Stock entitled to receive ten times the amount, if any, paid on each share of Class B Common Stock.

Voting Rights:

Holders of Class A Common Stock and Class B Common Stock are entitled to one vote per share at all meetings of shareholders with the right to cumulate votes in all elections for directors.

Conversion Rights of Class B Common Stock:

Each share of Class B Common Stock is convertible into two shares of Class A Common Stock by surrender of such shares of Class B Common Stock and payment to the Company of \$29.00 in cash for each two shares of Class A Common Stock to be issued upon conversion. Such conversion rights will expire on December 31, 1961. The Board of Directors has adopted a resolution providing that Class B Common Stock surrendered for conversion into Class A Common Stock shall not be reissued and that the Company from time to time shall take appropriate corporate action to amend the Certificate of Incorporation to delete from the authorized capitalization of the Company the Class B Common Stock so surrendered.

Miscellaneous:

The shares of Class A Common Stock and Class B Common Stock have no preemptive or subscription rights and are not subject to redemption.

HISTORY AND BUSINESS

The Company was incorporated under the laws of Delaware by a Certificate of Incorporation filed November 19, 1951. It is engaged generally in the business of prospecting for, acquiring and developing oil and natural gas properties in the western provinces of Canada and in the United States. Prior to its incorporation Ashland Oil & Refining Company (hereinafter sometimes referred to as Ashland) and Murphy Corporation of El Dorado, Arkansas (hereinafter sometimes referred to as Murphy), who for some time had carried on certain joint exploration activities in the United States gave consideration to the extension of such operations into Canada. Conversations between the parties led to an invitation to A. G. Becker & Co. Incorporated (hereinafter sometimes referred to as Becker) to join in the discussions. These discussions culminated in the formation of the Company. All of the Class B Common Stock of the Company is held by Ashland, Murphy and by Becker and one of its Vice Presidents in the amounts of 40%, 40% and 20%, respectively.

With respect to activities in western Canada, the Company, Ashland and three of the principal stockholders of Murphy have entered into an agreement defining British Columbia, Alberta, Manitoba and Saskatchewan as a Mutual Interest area and providing with respect to any oil and gas rights acquired for joint account within such area for participations in the proportions of 70% to the Company, 15% to Ashland and 5% to each of the three individuals.

In October 1952 the Company entered into a contract with Albercan Oil Corporation, by the terms of which the Amurex group (i.e. Ashland, Murphy and the Company) agreed to carry out a \$1,500,000 campaign of drilling and geological exploration over a three year period in return for a 50% interest in approximately 635,000 acres in the Province of Saskatchewan in Crown Permits approximately 54 miles north of the United States and Canadian border, about 54 miles west of Swift Current and approximately 35 miles southwest of the Fosterton Field. Albercan has reserved a \$30,000,000 oil payment to be paid out of the proceeds of sale of hydrocarbons produced from the acreage. Other Canadian interests include approximately 2,155 acres in the Cessford area of Alberta, approximately 4,480 acres in the Ghost River area of Alberta and a 50% interest in approximately 9,760 acres of the Knob Hill area of Alberta.

In addition to its activities in western Canada, the Company in conjunction with Murphy is carrying on a program of acquisition and exploration of prospective oil properties in the Williston Basin and in adjacent related geological provinces of eastern Montana and North Dakota. The Company has a 35% interest in approximately 700,000 acres located in 18 counties in eastern Montana and western North Dakota.

STOCK DISTRIBUTION

In January 1952 the Company sold to the public 500,000 shares of its Class A Common Stock through a group of United States underwriters headed by A. G. Becker & Co. Incorporated and through a Canadian underwriter, Dominion Securities Corp., Limited. Such securities were sold at a public offering price of \$10 per share in United States and Canadian currency, respectively. As of December 24, 1952, 3,478 stockholders held the 500,000 issued shares of Class A Common Stock of the Company. The ten largest stockholders hold an aggregate of 46,100 shares.

1,667 stockholders hold from	1 to	99 shares
1,091 stockholders hold		100 shares
365 stockholders hold from	101 to	200 shares
103 stockholders hold from	201 to	300 shares
38 stockholders hold from	301 to	400 shares
92 stockholders hold from	401 to	500 shares
78 stockholders hold from	501 to	1,000 shares
44 stockholders hold over		1,001 shares

The Class A Common Stock is held by residents of 41 states, the Hawaiian Islands, Mexico and various provinces in Canada.

DIRECTORS AND OFFICERS

<u>Name of Director or Officer</u>	<u>Address</u>	<u>Positions and Offices Held</u>
Paul G. Blazer	Ashland Oil & Refining Company 1409 Winchester Avenue Ashland, Kentucky	Chairman of the Board and Director
C. H. Murphy, Jr.	Murphy Corporation Murphy Building El Dorado, Arkansas	President and Director
M. C. Hoover	Murphy Corporation Murphy Building El Dorado, Arkansas	Vice President and Director
Roy B. Ralston	Ashland Oil & Refining Company 1409 Winchester Avenue Ashland, Kentucky	Vice President and Director
Christoph Keller, Jr.	Murphy Corporation Murphy Building El Dorado, Arkansas	Director
Rexford S. Blazer	Ashland Oil & Refining Company 1409 Winchester Avenue Ashland, Kentucky	Director
Joseph J. Levin	A. G. Becker & Co. Incorporated 120 South LaSalle Street Chicago 3, Illinois	Director
A. F. Wynn	312 Sunderland Avenue Calgary, Alberta	Vice President
William J. Hull	Ashland Oil & Refining Company 1409 Winchester Avenue Ashland, Kentucky	Secretary
R. L. Grady	Murphy Corporation Murphy Building El Dorado, Arkansas	Assistant Secretary
Kenneth Wimer, Jr.	Murphy Corporation Murphy Building El Dorado, Arkansas	Treasurer
E. W. Seaton	Ashland Oil & Refining Company 1409 Winchester Avenue Ashland, Kentucky	Assistant Treasurer
Vernon Van Sant, Jr.	Murphy Corporation Murphy Building El Dorado, Arkansas	Controller

There are no bonus or profit sharing plans in which directors or officers of the applicant are eligible to participate, nor any pension, retirement, savings or similar plans, wholly or partly for the benefit of officers of the Company to which the Company contributes. The Company has been recently organized and has not paid any dividends on either its Class A Common or its Class B Common Stock. The Company expects to pay dividends when, in the discretion of its Board of Directors, the earnings and working capital of the Company will justify such payment.

FINANCIAL STATEMENTS

The following financial statements are included in this circular:

1. Accountants' Report.
2. Balance Sheet—September 30, 1952.
3. Statement of Expenses and Deficit—For the Period November 19, 1951 to September 30, 1952.
4. Statement of Paid-In Surplus—For the Period November 19, 1951 to September 30, 1952.
5. Notes to Financial Statements—September 30, 1952.

ACCOUNTANTS' REPORT

The Board of Directors

Amurex Oil Development Company:

We have examined the balance sheet of Amurex Oil Development Company as of September 30, 1952 and the related statements of expenses and deficit and paid-in surplus for the period November 19, 1951 to September 30, 1952. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of expenses and deficit and paid-in surplus present fairly the financial position of Amurex Oil Development Company at September 30, 1952 and the results of its operations for the period November 19, 1951 to September 30, 1952, in conformity with generally accepted accounting principles applied on a consistent basis.

(Signed) PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants

Shreveport, Louisiana
November 11, 1952

AMUREX OIL DEVELOPMENT COMPANY

BALANCE SHEET SEPTEMBER 30, 1952

ASSETS

CURRENT ASSETS:

Cash		\$1,742,507
U. S. and Canadian government securities, at cost (market value \$2,040,800)		2,042,234
Accounts receivable:		
Affiliates	\$ 60,474	
Other	117,529	178,003
Advance to officer-secured, amount due within one year (Note 1)		1,280
Inventory of supplies, at average cost		4,191
Prepaid expenses		3,850
Total Current Assets		<u>\$3,972,065</u>

ADVANCE TO OFFICER-SECURED, NET OF AMOUNT DUE WITHIN ONE YEAR (Note 1)..... 16,694

PROPERTY AND EQUIPMENT, AT COST LESS DEPRECIATION (Note 2):

Productive oil and gas leasehold and equipment	\$ 45,601	
Undeveloped oil and gas leaseholds	84,524	
Undeveloped oil and gas leaseholds in process of acquisition (Note 3)	683,945	
Automotive equipment	15,635	
Furniture and fixtures	12,702	
	<u>\$ 842,407</u>	
Less accumulated depreciation	3,174	839,233
		<u>\$4,827,992</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:		
Affiliate		\$ 153,364
Other		105,595
Total Current Liabilities		<u>\$ 258,959</u>

UNREALIZED GAIN ON CONVERSION OF CANADIAN ASSETS INTO U. S. DOLLARS (Note 4).... 41,955

STOCKHOLDERS' EQUITY:

Class A common stock, par value \$5.00 per share, authorized 1,250,000 shares, 500,000 shares issued and outstanding, 500,000 shares reserved for conversion of Class B common stock (Note 5)	\$2,500,000	
Class B common stock, par value \$0.50 per share, authorized, issued and outstanding 250,000 shares, convertible into Class A common stock (Note 5)	125,000	
Paid-in surplus	2,094,554	
	<u>\$4,719,554</u>	
Deficit	(192,476)	4,527,078

COMMITMENTS (Note 6)

\$4,827,992

See accompanying notes to financial statements.

AMUREX OIL DEVELOPMENT COMPANY

STATEMENT OF EXPENSES AND DEFICIT

For the Period November 19, 1951 to September 30, 1952

ADMINISTRATIVE AND GENERAL EXPENSE	\$ 40,447
EXPLORATORY AND DEVELOPMENT EXPENSE INCLUDING NON-PRODUCTIVE WELLS	169,520
Total Expenses	<u>\$ 209,967</u>
INTEREST EARNED	17,491
Net expenses (no operating revenue for the period)	<u>\$ 192,476</u>
DEFICIT FROM DATE OF INCORPORATION, NOVEMBER 19, 1951 TO SEPTEMBER 30, 1952	<u>\$ 192,476</u>

AMUREX OIL DEVELOPMENT COMPANY

STATEMENT OF PAID-IN SURPLUS

For the Period November 19, 1951 to September 30, 1952

AMOUNT PAID-IN IN EXCESS OF PAR VALUE OF CLASS A COMMON STOCK	\$2,500,000
LESS UNDERWRITING COMMISSION AND EXPENSE OF ISSUE	530,446
	<u>\$1,969,554</u>
AMOUNT PAID-IN IN EXCESS OF PAR VALUE OF CLASS B COMMON STOCK	125,000
BALANCE AT SEPTEMBER 30, 1952	<u>\$2,094,554</u>

See accompanying notes to financial statements.

AMUREX OIL DEVELOPMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

September 30, 1952

1. Advance to Officer

An officer, A. F. Wynn, upon being transferred to Calgary, Canada, was advanced \$22,972 for the purchase of a residence in that city. The balance of such advance, \$17,974, secured by a mortgage on the residence, is due \$106.67 per month plus interest.

2. Property and Equipment

Intangible costs of drilling productive oil and gas wells are capitalized on the Company's books although such costs are charged to operations for Federal income tax purposes. Costs of drilling non-productive wells are charged to expense for both purposes.

Depletion and depreciation for productive oil and gas properties will be computed by the unit of production method commencing with production of oil or gas in commercial quantities.

Depreciation on other property and equipment is computed on the straight-line method, based upon the estimated useful life of the asset.

Undeveloped oil and gas leaseholds are carried at cost value until such time as they are transferred to productive properties or charged off as being non-productive and worthless. Annual lease rentals, required to be paid until the leasehold is producing or abandoned, along with other carrying costs are charged to expense as paid.

3. Undeveloped Oil and Gas Leaseholds in the Process of Acquisition

Undeveloped oil and gas leaseholds in the process of acquisition, \$683,945, represents the Company's portion of money expended by an affiliate, Murphy Corporation, for undeveloped oil and gas leaseholds which Murphy Corporation is acquiring or has acquired for their joint account in the Williston Basin and adjacent area all in the states of Montana and North Dakota. Murphy Corporation is presently examining title and processing the oil and gas leaseholds so acquired and after that has been completed, subject to adjustment, if any, due to failure of title, etc., the Company's proportionate interests will be subject to transfer to it.

The oil and gas leaseholds so long as non-productive will require the payment of annual rentals of which the Company's shares for the next two years will be about \$55,000 annually and thereafter about \$120,000 per year. In the event annual rentals are not paid on the non-productive leaseholds, all rights to the particular leasehold will be forfeited and will revert to the land owner.

4. Conversion of Canadian Branch Accounts

The Company's Canadian branch accounts have been converted into U. S. funds as follows:

- (1) Current assets and current liabilities at the rate of exchange in effect at September 30, 1952.
- (2) Property and equipment at the rate of exchange in effect on date of acquisition.
- (3) Net expenses (no operating revenue for the period) at the monthly average rate of exchange.

As shown on the balance sheet, unrealized gain on conversion, \$41,955, is carried as a deferred item.

5. Capital Shares

Each share of Class A common stock is entitled to ten times the amount of dividends paid, if any, on each share of Class B common stock. Similarly, in the event of liquidation each share of Class A common stock is entitled to receive ten times the amount received on each share of Class B common stock. Both classes of stock have equal voting rights.

The Class B common stock is convertible into Class A common stock in the proportion of one share of Class B for two shares of Class A upon the payment of \$29 per share of Class B converted. Such conversion privilege is available until December 31, 1961, and for this purpose 500,000 shares of Class A common stock have been reserved.

6. Commitments

The Company has entered into agreements for the acquisition of undeveloped oil and gas properties, drilling of wells, and exploratory work which will require the expenditure of approximately \$1,230,000 over a three year period. Of the \$1,230,000, about \$530,000 is expected to be spent within the next year. In addition, annual rentals on undeveloped leaseholds, including the rentals on leaseholds in process of acquisition previously mentioned, will amount to about \$74,000 for the next two years and about \$139,000 per year thereafter.

OPINION OF COUNSEL

Mayer, Meyer, Austrian & Platt, 231 South LaSalle Street, Chicago, Illinois, counsel of the Company, have given their opinion that:

1. The Company has been duly incorporated and is now validly existing as a corporation under the laws of the State of Delaware.

2. The authorized capital stock of the Company consists of 1,250,000 shares of Class A Common Stock, \$5 par value, of which 500,000 shares are issued and outstanding, and 250,000 shares of Class B Common Stock, \$0.50 par value, all of which are outstanding.

3. Each share of the Class B Common Stock is convertible at the option of the holder thereof until December 31, 1961 into two shares of Class A Common Stock upon surrender of such share of Class B Common Stock and payment to the Company of \$29.00.

4. 500,000 shares of Class A Common Stock are reserved for issuance upon the conversion from time to time of shares of Class B Common Stock.

5. The 500,000 shares of Class A Common Stock presently issued and outstanding constitute validly issued, full paid and non-assessable shares of Class A Common Stock of the Company and that no personal liability attaches to the ownership thereof.

6. All shares of Class A Common Stock, issued upon conversion of Class B Common Stock, will be, upon issuance, validly issued, full paid and non-assessable shares of Class A Common Stock of the Company and that no personal liability will attach to the ownership thereof.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

(1) To notify the Exchange promptly of any change in the general character or nature of its business.

(2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.

(3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.

(4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.

(5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to counter-sign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.

(6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.

(7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.

(8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.

(9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extension, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish the Exchange, at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

The address of the principal office of the Company is Murphy Building, El Dorado, Arkansas.

The fiscal year of the Company ends on September 30 of each year. The annual meeting of stockholders is held at the principal office of the Company on the second Monday of December in each year, if not a legal holiday, and if a legal holiday, then on the next secular day following.

The Transfer Agents for the Class A Common Stock of the Company are:

The First National Bank of Chicago
38 South Dearborn Street
Chicago 90, Illinois

National Trust Company Limited (Toronto)
14 King Street, East
Toronto 1, Ontario, Canada

National Trust Company Limited (Montreal)
119 St. James Street, West
Montreal, Quebec, Canada

The Registrars for the Class A Common Stock of the Company are:

Harris Trust and Savings Bank
115 West Monroe Street
Chicago 90, Illinois

Crown Trust Company Limited (Toronto)
302 Bay Street
Toronto 1, Ontario, Canada

Crown Trust Company Limited (Montreal)
393 St. James Street, West
Montreal 1, Quebec, Canada

THIS CIRCULAR IS NOT A PROSPECTUS OR AN OFFER OF SECURITIES. THE INFORMATION HEREIN IS SUBJECT TO THE MORE COMPLETE INFORMATION AND STATEMENTS RELATING TO THE SECURITIES CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES, FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MID-WEST STOCK EXCHANGE.



Cenco Corporation

(A Delaware Corporation)

Common Stock

THE LIBRARY OF THE (Par Value \$1.00 Per Share)

APR 3 1953

UNIVERSITY OF ILLINOIS

Prepared by the Company

for

Midwest Stock Exchange

Cenco Corporation has made application to list 980,956 shares of the Common Stock of the par value of \$1.00 per share on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on February 18, 1953.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.



Cenco Corporation

(A Delaware Corporation)

Common Stock

(Par Value \$1.00 Per Share)

Cenco Corporation has made application to list 980,956 shares of its Common Stock, par value \$1.00 per share, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on February 18, 1953.

CAPITALIZATION

The capitalization of the Company as of April 30, 1952, was as follows:

Funded Debt

Cenco Corporation

Ten year 5% debentures of Cenco Corporation due 1958 (less \$5,000 held in Treasury).....	\$ 841,400.00
Other obligations, amounts due after April 30, 1953.....	86,000.00
	<u>\$ 927,400.00</u>

Subsidiary Obligations

Fifteen year 4% Sinking Fund notes, due in Annual installments of \$25,000—1953 to 1956, \$100,000—1957 to 1961 and \$75,000—1962 to 1966.....	\$ 975,000.00
3¾% notes due in annual installments of \$100,000—1953 to 1956	400,000.00
Other obligations, amounts due after April 30, 1953.....	31,680.89
	<u>\$1,406,680.89</u>

Number of Shares

Capital Stock

	Authorized	Outstanding
Common Stock, par value \$1.00 per share.....	2,500,000*	980,956

*On March 6, 1951, the Board of Directors reserved and set aside 100,000 shares of Common Stock for issuance pursuant to options to be granted to key employees. No options have as yet been granted.

DESCRIPTION OF COMMON STOCK

There are no preferences or priorities pertaining to the Common Stock of the Company. Each share is entitled to exercise one vote. The holders of the Stock enjoy the right to cumulative voting for directors under the Charter of the Company. All shares participate equally in dividends, being entitled to such dividends as are declared from time to time by the Board of Directors. There are no limitations contained in any indenture or other agreement or imposed by any governmental regulatory body restricting the payment of dividends on the stock being listed. However, certain agreements (detailed subsequently) restrict payment of dividends by the Company's subsidiaries to the Company. Under the charter, as amended, the holders of outstanding stock do not have pre-emptive rights to subscribe for or purchase additional stock issued by the Company. There is no provision in the certificate of incorporation regarding the liquidating or conversion of said stock.

HISTORY AND BUSINESS

The Company was organized on September 2, 1948, under the laws of Delaware. It is a holding company and its assets consist of cash and all of the issued and outstanding stock of the Central Scientific Co., an Illinois corporation which was acquired in 1948, and all of the issued and outstanding stock of The Refinery Supply Company, an Oklahoma corporation, which was acquired in 1951.

The following statements concerning the history and business relate to the subsidiaries, Central Scientific Co. (hereinafter referred to as "Central") and The Refinery Supply Company (hereinafter referred to as "Refinery"):

Central was begun in 1888 as the Central School Supply House, handling laboratory furniture for schools and all school supplies. In 1900 A. H. McConnell and his associate purchased the laboratory supply business of Central School Supply House and incorporated it as Central Scientific Co. Central has two wholly-owned, active subsidiaries: Central Scientific Company of Canada, Limited, incorporated under the laws of Canada, and Central Scientific Company of California, incorporated under the laws of California. In 1926 Central purchased the laboratory and supply business of Geo. M. Hendry Company, Limited, of Toronto, and formed Central Scientific Company of Canada, Limited. In 1946 Central Scientific Company of Canada, Limited, acquired all of the issued and outstanding stock of the Geo. M. Hendry Company, which then manufactured and sold school and laboratory furniture. In 1949 the Geo. M. Hendry Company was partially liquidated and its business taken over by Central Scientific Company of Canada, Limited. The Geo. M. Hendry Company, Limited, although at this time not conducting any business, has certain assets and still exists as a separate corporation and as a subsidiary of Central Scientific Company of Canada. Central Scientific Company of Canada established a branch in Montreal in 1945 and a branch in Vancouver in 1950.

In 1930 Central purchased all of the assets, business and good will of the L. E. Knott Manufacturing Company, of Cambridge, and established its Boston branch. In 1946 Central purchased all of the assets, business and good will of the N. J. Laboratory Supply Company, of Newark, New Jersey, and thereupon established its New Jersey branch. In 1940 Central acquired all of the issued and outstanding preferred stock, amounting to \$25,000 par value, of Redman Scientific Company, a California corporation, in settlement of a debt. On May 26, 1949 Central acquired all of the issued and outstanding common stock of that company and changed its name to Central Scientific Company of California. In October of 1949 Central acquired certain assets, business and good will of Pacific Laboratory Apparatus & Chemical Company, of Los Angeles, which were assigned to Central Scientific Company of California, and thereupon it established a branch at Los Angeles.

Central manufactures and sells scientific instruments and apparatus. It manufactures approximately 2,400 items and acts as a jobber for approximately 12,000 to 14,000 items. Normally, the company's sales consist of approximately 30% in items manufactured by it and 70% in jobbed merchandise. Its sales are made to high schools, colleges, universities, hospitals and all branches of industry. The sales of Central's products to educational institutions are somewhat seasonal in character, the greatest number of sales being made during August, September and October of each year. There is no single item or group of items manufactured or sold by Central that contributed more than 15% of the gross volume of business done by it during the past three fiscal years. The largest single item or group of items sold by it is its line of high vacuum pumps, and the total sales of these items will not exceed 7% of its annual sales.

All products manufactured by Central Scientific Co. are sold under the brand name "CENCO". Generally, the manufactured items consist of high vacuum pumps; constant temperature apparatus; thermo-regulators, mercury and bimetallic; laboratory scales and balances; physics apparatus and instruments; industrial chemical testing apparatus for cement and highway materials testing; milk testing apparatus; metallurgical apparatus; petroleum products testing apparatus; paper testing apparatus; chemical laboratory apparatus for college chemistry and industrial testing. Since Central Scientific Co. manufactures approximately 2,400 items, the above list is necessarily incomplete.

The jobbed merchandise which Central Scientific Co. sells covers a large number of items such as: Corning Pyrex laboratory glassware; Kimble graduated glassware; Coors porcelain dishes, crucibles, etc.; Weston meters; General Electric special products, scientific instruments, meters, and measuring devices; analytical balances—Seederer & Kohlbusch, Christian Becker, and Ainsworth; Cooley electric furnaces—built to Cenco specifications; Barnstead—stills—water; International centrifuges and accessories; Waring blenders—exclusive to laboratory field; Bausch and Lomb and American Optical optical goods; chemicals—including chemical reagents.

On February 6, 1951, the Company acquired all of the issued and outstanding stock of The Refinery Supply Company, located in Tulsa, Oklahoma, which was organized in 1923 under the laws of Oklahoma. This company acts as a distributor for specialties for research and control laboratory requirements, in the petroleum and petrochemical fields, including such items as gas gravity balances, recording gravitometers for gases, moisture testers for gases, dead weight gauges, high pressure consistometers, vapor pressure bombs, manometers, hydrometers, thermometers, and other similar items. It does no manufacturing. It also acts as a distributor of products manufactured and sold by Central in the territory which it serves.

Both Central and Refinery have large and complete catalogs which they publish every five years in normal times. A large amount of their direct business is done by mail.

The subsidiaries and branches of Central act as regional sales organizations in their respective territories, selling the same products manufactured and sold by Central. All manufacturing is done at Central's plant at Chicago. These branches and subsidiaries also sell The Refinery Supply Company's specialties. Sales are solicited by catalog, solicitors and salesmen. Approximately 5% of sales are through dealers and 95% are direct. The customers are served by sales engineers, most of whom are technicians and scientifically trained men. In addition to the field engineers, the companies have highly trained technical staffs in Chicago and Tulsa. Apparatus other than that manufactured by Central is purchased directly from the source (manufacturers and distributors) and sold in the territories served by the companies.

Central and Refinery are not engaged as prime contractors of the Armed Forces and no space or facilities are utilized exclusively in the production of products for the Armed Forces, although the companies regularly sell standard catalog items to various branches of the Armed Forces as well as to the Atomic Energy Commission. These subsidiaries are generally known as a source for "off the shelf" goods. Such sales do not represent a substantial portion of their total sales. The volume of sales to the government has not been sufficient in the past year to be subject to renegotiation.

The products manufactured and sold by Applicant's subsidiaries are subject to price control regulations of the Office of Price Stabilization.

While there are many companies engaged in the manufacture and sale of scientific apparatus in competition to Cenco Corporation's operating subsidiaries, the Company's subsidiary Central is one of the largest manufacturers and dealers in such items and has enjoyed and expects to continue to enjoy a substantial business in this field. Refinery, by reason of its situation in Tulsa and its long history as a distributor of research and control laboratory requirements, has received and expects to continue to receive a good business in the petroleum and petrochemical fields in the area which it serves.

The total sales for subsidiaries (consolidated) in the past three years are as follows:

Year ended April 30, 1950.....	\$ 7,827,480.31
Year ended April 30, 1951.....	9,882,447.96
Year ended April 30, 1952.....	11,946,677.61

It is estimated that the total sales for the current fiscal year which ends on April 30, 1953 will be \$12,000,000.

The Company has two principal subsidiaries:

(1) Central Scientific Co., an Illinois corporation, which has an authorized capital of 25,000 shares of \$20 par common stock, of which 24,670 are issued and outstanding, all owned by Applicant. It manufactures scientific instruments and apparatus as more fully described under "History and Business." Central Scientific Co. has the following subsidiaries:

(a) Central Scientific Company of Canada, Limited, which was incorporated under the laws of Canada. It has an authorized capital of 5,000 shares of \$20 par common stock, all of which is issued and outstanding and owned by Central Scientific Co. This Canadian subsidiary has the following subsidiary: Geo. M. Hendry Company, Limited, incorporated under the laws of Canada, with an authorized capital of 450 shares of \$100 par common stock, of which 50 shares are issued and outstanding, owned by Central Scientific Company of Canada, Limited. This company, while conducting no business, has approximately \$5,000 of assets and still exists as a separate corporation.

(b) Central Scientific Company of California, which was incorporated under the laws of California. It has an authorized capital of 250 shares of \$100 par preferred and 2,500 shares of \$20 common stock. There are issued and outstanding 250 shares of preferred and 1,288 shares of common, all of which is owned by Central Scientific Co. (Illinois).

These two subsidiaries of Central Scientific Co. act as regional sales offices, selling the same products manufactured and sold by Central Scientific Co.

(2) The Refinery Supply Company, incorporated under the laws of Oklahoma, has an authorized capital of 6,000 shares of \$20 par common stock, all of which are issued and outstanding and owned by Applicant. This company sells scientific instruments or specialties for the petroleum and petrochemical fields, as more fully described under "History and Business."

There are certain inactive subsidiaries of Applicant and its subsidiary Central Scientific Co. which are not listed because they conduct no business and do not, in Applicant's opinion, constitute significant subsidiaries. The stock of such inactive subsidiaries is carried on the books of Applicant or Central Scientific Co. at no value.

NUMBER OF EMPLOYEES

At the present time the Company's subsidiaries employ approximately 700 persons. These subsidiaries enjoy satisfactory relations with their employees, including those unionized. They have never had a strike or work stoppage.

PROPERTIES

Chicago

The principal plant and offices are located at 1700 Irving Park Road, in Chicago. They consist of two 3-story buildings containing approximately 132,000 sq. ft. of floor space. These buildings are of brick and mill construction and are between 25 and 30 years of age and are owned by Central in fee. These two buildings are completely sprinklered, and are used as Central's manufacturing plant and principal warehouse. The manufacturing plant occupies approximately 40,000 sq. ft. It is fully equipped with modern tools and machinery which are in good operating condition. This manufacturing space is adequate for present requirements. There are approximately 2,400 items manufactured and as they are manufactured as required by customers, it is impossible to state the total productive capacity of the manufacturing plant in numbers of units. The plant has produced in the past year approximately \$4,000,000 of manufactured goods. Central is presently constructing a chemical and electronics laboratory for research and development at its Chicago plant. It will occupy approximately 5,000 sq. ft. It is estimated that the laboratory when completed and fully equipped will cost approximately \$100,000.

This company also rents two buildings for warehouse purposes at 3723-27 Broadway, in Chicago, about two miles from its main plant. One of these buildings is a 1-story garage-type building having approximately 11,000 sq. ft. of floor space, and the other is a 2-story building of the same type of construction containing approximately 22,500 sq. ft. This property has been leased for a 10-year period to expire October 31, 1956, at a rental of \$1,500 per month for the first 72 months and \$1,125 per month for the last 48 months.

Boston

The Boston branch is located at 79 Amherst Street, Cambridge, Massachusetts, across the street from the Massachusetts Institute of Technology, and is rented under a lease dated January 6, 1949, for the period from May 1, 1950 until April 30, 1960, at an annual rental of \$15,960, payable in monthly installments of \$1,330, with the provision that in the event the taxes are over \$3,000 per year the excess is to be paid by the lessee as additional rent. This building is of reinforced concrete construction, approximately 35 years old, and contains approximately 30,000 sq. ft. of floor space. It is sprinklered throughout and is satisfactory for the purpose for which it is used, namely: a branch office and warehouse.

Newark

The Newark branch is located at 441 Clinton Avenue, Newark, New Jersey, in a building of garage-type construction containing approximately 22,000 sq. ft. which is used as a branch office and warehouse. Central has a lease on this property until September 30, 1956, at a rental of \$11,400, payable monthly in advance.

Toronto, Canada

The Toronto property is located at 146 Kendal Avenue, and the lease was made by Central Scientific Company of Canada, Limited, but is guaranteed by Central Scientific Co. (Illinois). The property consists of a new two-story building of brick and mill construction built to its specifications, containing 50,000 sq. ft. The lease expires on January 31, 1968, and calls for a rental of \$25,614.59 per year, payable monthly in advance, with the provision that the rental for the first five years shall be at the rate of \$28,264.59 per year and for the last fifteen years at the rate of \$24,731.26 per year. The lessor is required to pay all taxes and other similar assessments with the provision, however, that if at any time during the term of the lease the taxes assessed to the lessors shall be increased by virtue of an increase in the rate above 3 mills, the taxes levied against the property by reason of such increase above 3 mills shall be paid by and be the liability of the lessee, Central Scientific Company of Canada. The lease further provides that in the event the lessors desire to sell the premises at any time during the term thereof, the lessors shall first offer the premises to the lessee, Central Scientific Company of Canada, and if said lessee shall not, within a period of 20 days accept such offer, the lessors shall be at liberty to sell said premises to any other firm or corporation at the same or a higher price, but shall not sell said premises for a lesser price unless it shall have been offered to the lessee at such lesser price and such last-mentioned offer shall not have been accepted within twenty days. The Central Scientific Company of Canada has an option to renew this lease for a period of five years or more at any time up to the last three months of the lease on the same terms contained therein, provided, however, that in the event the lessor's taxes shall be increased, lessee shall agree to absorb and pay as additional rental ninety per cent thereof. This building is occupied by Central Scientific Company of Canada as an office and warehouse.

Montreal

Central Scientific Company of Canada occupies the first floor and part of the basement of the 5-story building located at 7275 St. Urbain Street. This building is approximately five years old and the first floor was built to Central's specifications. The building is known as the "Cenco Building." The lease is with Central Scientific Company of Canada, Limited, and runs for the period from May 1, 1951 to April 30, 1956, at a monthly rental of \$516.66. The premises so leased contain approximately 5,000 sq. ft. of floor space and are used as a branch office and warehouse.

Vancouver, British Columbia

Central Scientific Company of Canada, Limited, occupies the building of 1076 Granville Street, containing approximately 3,700 sq. ft. of floor space, as a branch office and warehouse. The lease covers the period from January 1, 1952 to December 31, 1954, at a monthly rental of \$750 in advance.

Santa Clara, California

Central Scientific Company of California owns two warehouses and an office building located at 1040 Martin Avenue. These buildings are concrete and sheet metal construction and contain approximately 4,800 and 9,600 sq. ft. respectively. The office building was erected in the year 1952 and contains approximately 3,500 sq. ft. of floor space. These properties are owned in fee by this subsidiary, subject to a first mortgage on which there was a balance due of \$9,094.76 on November 30, 1952. This property is approximately fifty miles south of San Francisco and serves the San Francisco territory, although the company has a sales office in San Francisco. Santa Clara is generally referred to as the principal office of Central Scientific Company of California.

Los Angeles, California

Central Scientific Company of California owns a brick building located at 3555 Whittier Boulevard which contains approximately 11,000 sq. ft. This building is of brick and frame construction and is owned in fee. At the present time it is not being occupied by Central Scientific Company of California, the company having outgrown this space and having leased the new building described below to take care of the increased volume of its business.

Central Scientific Company of California leases approximately two acres of land improved with a 1-story concrete building constructed in the year 1952 to its specifications at 6446 Anaheim Telegraph Road, Los Angeles, containing approximately 30,000 sq. ft. This property is leased for a period of ten years commencing in June of 1952, and expiring May 31, 1962, and is used as a branch office and warehouse. The lease provides for a rental of \$1,300 per month payable in advance. Lessee is obliged to pay all real estate taxes assessed against this property during the term of the lease. It contains an option to extend the lease for an additional period of fifteen years provided notice is served prior to the last six months of the term thereof.

THE REFINERY SUPPLY COMPANY

Tulsa

This subsidiary's principal plant and offices are located at 621-3 East Fourth Street and 322 South Kenosha Avenue, which is used as an office and warehouse. The premises are leased from W. A. Schlueter and Lillian C. Schlueter for a period of ten years from January 1, 1951 and the lease provides for a monthly rental of \$1,215 in advance. The premises consist of a 1-story brick building and the portion thereof occupied by the company consists of approximately 13,500 sq. ft.

Houston

This company opened a branch office and warehouse at 2215 McKinney Avenue which it has leased for a period of five years commencing February 1, 1952, at a monthly rental of \$450, consisting of 6,350 sq. ft. located on the first floor of a brick, warehouse-type building.

OPINION OF COUNSEL

Messrs. Norville & Dent, 105 West Adams Street, Chicago 3, Illinois, counsel to the Company, have given their opinion that the Company has been duly and validly organized under the laws of the State of Delaware, is duly qualified to do business in the State of Illinois, and is presently validly existing and in good standing under the laws of the State of Delaware and the State of Illinois; that 980,956 shares of its common stock of the par value of \$1 per share presently outstanding have been validly authorized and issued and constitute fully paid, non-assessable shares of the Company, with no personal liability attaching to the ownership thereof. Messrs. Leo T. Norville and Louis Linton Dent of said firm are directors of the Company, and both Mr. Norville and Mr. Dent are stockholders. Mr. Norville is also Secretary of the Company.

OFFICERS AND DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Office</u>
John T. Gossett	1700 Irving Park Road Chicago 13, Illinois	Chairman of the Board, Vice President and Director
Alfred A. Strelsin	595 Madison Avenue New York City	President and Director
H. E. Devereaux	605 N. Michigan Avenue Chicago 11, Illinois	Vice President and Director
Wm. J. Luby	1700 Irving Park Road Chicago 13, Illinois	Treasurer
Leo T. Norville	105 West Adams Street Chicago 3, Illinois	Secretary and Director
Louis Linton Dent	105 West Adams Street Chicago 3, Illinois	Assistant Secretary and Director
W. F. Crawford	1200 West 145th Street East Chicago, Indiana	Director
Roy A. Kropp	5301 W. Roosevelt Road Chicago 50, Illinois	Director

DIVIDEND RECORD

<u>Date Paid</u>	<u>Cash Dividend</u>	<u>Stock Dividend</u>	<u>Amount</u>
3/21/51	.05		\$ 47,610.00
6/30/50	.05		47,610.00
10/ 7/50		1 for 50 owned	19,044.00*
12/28/50	.05		48,556.10
3/28/51	.02½		24,278.60
3/28/51		1 for 100 owned	9,712.18*
1/15/52	.05		49,027.00
4/11/52	.05		49,028.65
7/17/52	.05		49,029.30
11/26/52	.05		49,033.30
			<u>\$392,929.13</u>

*These stock dividends were reported on the books at the indicated par value for the number of shares issued as stock dividends, and the amounts shown above represent the total amounts charged to the surplus account as a result of these stock dividends.

FINANCIAL STATEMENTS

1. Certificates of Peat, Marwick, Mitchell & Co., Price Waterhouse & Co., and Williamson, Shiach, Sales, Gibson & Middleton, certified public accountants.
2. Balance Sheet—April 30, 1952.
3. Statements of Earnings—Three years ended April 30, 1952.
4. Statements of Earned Surplus and Capital Surplus—Three years ended April 30, 1952.
5. Notes to Financial Statements.
6. Certificate of Chief Accounting Officer of Cenco Corporation.
7. Consolidated balance sheet as of November 30, 1952.
8. Consolidated statement of income for the seven months ended November 30, 1952, and notes to financial statements.

ACCOUNTANTS' REPORTS

The Board of Directors,
Cenco Corporation:

We have examined the balance sheet of Cenco Corporation and the consolidated balance sheet of Cenco Corporation and subsidiaries as of April 30, 1952, the related statements of earnings, earned surplus and capital surplus for the two years then ended and the supporting schedules listed in the accompanying index.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Canadian subsidiaries which are included in the consolidated statements but were furnished with a report by other public accountants with respect thereto.

As set forth in note E to the financial statements the liability for Federal taxes on income of Cenco Corporation and its domestic subsidiaries has been computed on the basis of consolidated tax returns. For the years ended April 30, 1951 and 1952 the practice has been followed of including the tax savings resulting from consolidation as credit items in the statement of earnings of Cenco Corporation, rather than the preferable practice of crediting such savings to the subsidiaries which had taxable net income. The effect of either practice on the consolidated financial statements is the same.

In our opinion, with the explanation in the preceding paragraph and based upon our examination and the report of other public accountants with respect to the Canadian subsidiaries examined by them, such financial statements present fairly the financial position at April 30, 1952 and results of operations for the years ended April 30, 1951 and 1952 of Cenco Corporation and of Cenco Corporation and subsidiaries, in conformity with generally accepted accounting principles applied on a consistent basis; and the supporting schedules, in our opinion, present fairly the information required to be stated therein.

Chicago, Illinois
January 19, 1953
as of June 20, 1952

PEAT, MARWICK, MITCHELL & CO.

The Board of Directors,
Cenco Corporation:

We have examined the balance sheet of Cenco Corporation and the consolidated balance sheet of Cenco Corporation and subsidiaries as of April 30, 1950, the related statements of earnings, earned surplus and capital surplus for the year then ended and the supporting schedules listed in the accompanying index.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Canadian subsidiaries, the accounts of which are included in the consolidated financial statements on the basis of the report and accounts of other independent public accountants.

In our opinion, the accompanying financial statements present fairly the position at April 30, 1950 and the results of operations for the year then ended of Cenco Corporation and of Cenco Corporation and subsidiaries, in conformity with generally accepted accounting principles applied on a consistent basis; and the supporting schedules, in our opinion, present fairly the information required to be stated therein for the year ended April 30, 1950.

Chicago, Illinois
January 19, 1953
as of June 23, 1950

PRICE WATERHOUSE & CO.

The Board of Directors,
Cenco Corporation

We have examined the consolidated balance sheet of Central Scientific Company of Canada, Limited and its subsidiary, as of April 30, 1952 and the consolidated statements of profit and loss and surplus and supplemental schedules for each of the three years ended April 30, 1952, on all of which statements we previously have reported from year to year. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such balance sheet and statements of profit and loss and surplus present fairly the financial position of Central Scientific Company of Canada, Limited and its subsidiary as of April 30, 1952 and the results of their operations for the three years then ended in conformity with generally accepted accounting principles applied on a consistent basis in all material respects.

WILLIAMSON, SHIACH, SALES, GIBSON & MIDDLETON

Toronto, Ontario
January 9, 1953

CENCO CORPORATION AND SUBSIDIARIES

BALANCE SHEETS—APRIL 30, 1952

A S S E T S

	Cenco Corporation and Subsidiaries	Cenco Corporation
	Consolidated	Registrant
CURRENT ASSETS:		
Cash	\$ 501,638.62	34,817.58
United States and Canadian Government securities, at cost.....	159,970.00	
Receivables:		
Trade	\$1,555,131.98	
Other	10,320.54	
	<u>1,565,452.52</u>	
Less allowance for doubtful accounts (Schedule XII*).....	31,439.45	
	<u>1,534,013.07</u>	
Inventories—Note B:		
Finished product	3,129,250.34	
Work in process and parts.....	461,238.76	
Raw materials and supplies.....	283,446.42	
Goods in transit.....	95,891.11	
	<u>3,969,826.63</u>	
Total current assets.....	<u>6,165,448.32</u>	<u>34,817.58</u>
PROPERTY AND EQUIPMENT, AT COST (Schedules V* and VI*):		
Land	89,217.07	
Buildings	329,081.24	
Machinery and equipment.....	820,799.78	
	<u>1,239,098.09</u>	
Less allowance for depreciation—Note C.....	513,608.87	
	<u>725,489.22</u>	
PREPAID AND DEFERRED CHARGES:		
Deferred catalog expense.....	99,478.56	
Unexpired insurance premiums.....	61,788.42	
Other prepaid expenses.....	32,538.66	
	<u>193,805.64</u>	<u>200.00</u>
PATENTS AND GOODWILL, AT NOMINAL VALUE—Note D.....	<u>1.00</u>	<u>200.00</u>
INVESTMENTS IN SUBSIDIARIES ELIMINATED IN CONSOLIDATION (Schedule III*)—Note A:		
The Refinery Supply Company.....		220,584.21
Central Scientific Company		1,862,899.68
	<u>\$7,084,744.18</u>	<u>2,083,483.89</u>
		<u>2,118,501.47</u>

L I A B I L I T I E S

CURRENT LIABILITIES:			
Accounts payable	\$ 508,475.23		—
Current installments on long-term debt (Schedule IX*).....	180,386.16		28,000.00
Accrued expenses:			
Payrolls	\$ 18,687.60		
Taxes, other than on income.....	75,157.51		
Commissions, royalties, interest, etc.	85,985.40		
	<u>179,830.51</u>	<u>4,575.83</u>	<u>4,575.83</u>
Federal and Canadian taxes on income—Note E.....	691,371.37		28,913.40
Total current liabilities.....	<u>1,560,063.27</u>		<u>61,489.23</u>
LONG-TERM DEBT (Schedule IX*):			
Fifteen year 4% sinking fund notes, due in annual installments of \$25,000—1953 to 1956, \$100,000—1957 to 1961 and \$75,000—1962 to 1966.....	975,000.00		
3¾% notes due in annual installments of \$100,000—1953 to 1956.....	400,000.00		
Ten year 5% debentures of Cenco Corporation due 1958 (less \$5,000 held in treasury) Note F.....	841,400.00	841,400.00	
Other obligations, amounts due after April 30, 1953—Note F.....	97,141.45	79,000.00	920,400.00
	<u>2,313,541.45</u>	<u>920,400.00</u>	
STOCKHOLDERS' EQUITY:			
Capital stock of \$1.00 par value. Authorized 2,500,000 shares; outstanding 980,956 shares—(Schedule XIII*) Note I.....	980,956.00	980,956.00	
Capital surplus—see accompanying statement and Note A.....	1,369,902.50	126,542.61	
Earned surplus—see accompanying statement and Note J.....	860,280.96	29,113.63	1,136,612.24
	<u>3,211,139.46</u>	<u>1,136,612.24</u>	
	<u>\$7,084,744.18</u>	<u>2,118,501.47</u>	

See accompanying notes which are an integral part of the financial statements.

*These schedules are not printed in this listing application, but are on file at the Division of Securities of the Midwest Stock Exchange, available for inspection.

CENCO CORPORATION AND SUBSIDIARIES

STATEMENTS OF EARNINGS

Three Years ended April 30, 1952

	Cenco Corporation and Subsidiaries Consolidated			Cenco Corporation, Registrant		
	Years ended April 30			Years ended April 30		
	1950	1951	1952	1950	1951	1952
Gross sales, less returns, allowances and discounts..	\$ 7,827,480.31	9,882,447.96	11,946,677.61	—	—	—
Cost of goods sold.....	5,200,773.58	6,504,742.03	7,744,857.82	—	—	—
Gross profit	2,626,706.73	3,377,705.93	4,201,819.79	—	—	—
Purchasing and merchandising expenses.....	666,130.11	754,797.45	880,238.12	—	—	—
Selling, general and administrative expenses.....	1,674,414.06	1,990,732.40	2,325,219.41	9,769.33	22,496.93	15,893.87
	2,340,544.17	2,745,529.85	3,205,457.53	9,769.33	22,496.93	15,893.87
Operating profit	286,162.56	632,176.08	996,362.26	(9,769.33)	(22,496.93)	(15,893.87)
Other income:						
Dividends received from subsidiaries, eliminated in consolidation (Schedule XVII*—Note K).....	—	—	—	45,808.00	283,904.00	140,000.00
Exchange gain or (loss) on conversion of net assets of Canadian subsidiaries.....	(36,106.02)	23,680.71	18,043.65	—	—	—
Discounts earned and sundry.....	31,822.70	52,782.50	60,380.19	372.44	—	—
	(4,283.32)	76,463.21	78,423.84	46,180.44	283,904.00	140,000.00
	281,879.24	708,639.29	1,074,786.10	36,411.11	261,407.07	124,106.13
Other charges:						
Interest on long term debt.....	90,888.88	78,676.05	105,513.52	42,070.00	43,339.59	46,770.00
Other interest	10.60	13,061.25	33,234.45	—	25.00	375.00
Loss on investment.....	—	17,501.05	—	—	17,501.05	—
Sundry	3,297.42	4,700.45	6,350.51	—	415.75	—
	94,196.90	113,938.80	145,098.48	42,070.00	61,281.43	47,145.00
Earnings before taxes on income.....	187,682.34	594,700.49	929,687.62	(5,658.89)	200,125.64	76,961.13
Provision for Federal and Canadian taxes on income— Note E:						
Income taxes	61,818.79	240,000.00	475,000.00	—	(28,701.61)	(9,510.53)
Excess profits tax.....	—	—	25,000.00	—	(6,500.00)	(12,145.34)
	61,818.79	240,000.00	500,000.00	—	(35,201.61)	(21,655.87)
Net earnings	\$ 125,863.55	354,700.49	429,687.62	(5,658.89)	235,327.25	98,617.00

See accompanying notes which are an integral part of the financial statements.

Brackets denote red figures.

*Schedule XVII, referred to above, and Schedule XVI containing information in respect to charges for maintenance and repairs, depreciation, taxes (other than taxes on income), rents, and royalties, are not printed in this listing application but are on file at the Division of Securities of the Midwest Stock Exchange, available for inspection.

CENCO CORPORATION AND SUBSIDIARIES

STATEMENTS OF EARNED SURPLUS

Three Years ended April 30, 1952

	Cenco Corporation and Subsidiaries Consolidated			Cenco Corporation, Registrant		
	Years ended April 30			Years ended April 30		
	1950	1951	1952	1950	1951	1952
Amount at beginning of year.....	\$ 280,435.25	323,149.38	528,648.99	(4,305.20)	(57,574.09)	28,552.28
Add net earnings for the year per accompanying statement	125,863.55	354,700.49	429,687.62	(5,658.89)	235,327.25	98,617.00
	406,298.80	677,849.87	958,336.61	(9,964.09)	177,753.16	127,169.28
Deduct:						
Dividends paid in cash 5 cents per share in 1950; 12½ cents per share in 1951; 10 cents per share in 1952	47,610.00	120,444.88	98,055.65	47,610.00	120,444.88	98,055.65
Dividends paid in capital stock—28,756 shares at \$1.00 par value.....	—	28,756.00	—	—	28,756.00	—
Excess of cost of investment in Central Scientific Co. of Calif. over net assets at date of acquisition by Central Scientific Co. (Ill.).....	35,539.42	—	—	—	—	—
	83,149.42	149,200.88	98,055.65	47,610.00	149,200.88	98,055.65
Amount at end of year—Note J.....	\$ 323,149.38	528,648.99	860,280.96	(57,574.09)	28,552.28	29,113.63

STATEMENTS OF CAPITAL SURPLUS

Three Years ended April 30, 1952

Amount at beginning of year.....	1,243,359.89	1,369,902.50	1,369,902.50	—	126,542.61	126,542.61
Excess of proceeds from sale of 105,800 shares of capital stock over par value thereof at \$1 per share, less underwriting commissions and other expenses of \$57,213.89	126,542.61	—	—	126,542.61	—	—
Amount at end of year.....	\$1,369,902.50	1,369,902.50	1,369,902.50	126,542.61	126,542.61	126,542.61

See accompanying notes which are an integral part of the financial statements.

CENCO CORPORATION AND SUBSIDIARIES

Notes to Financial Statements

A—Basis of Consolidation

The consolidated statements include the accounts of Cenco Corporation and all of its active subsidiaries, The Refinery Supply Company, Central Scientific Company, Central Scientific Company of California, Central Scientific Company of Canada, Limited and Geo. M. Hendry Company, Limited.

The consolidated statements do not include dividends or other income from inactive unconsolidated subsidiaries.

The difference between the parent's investment, \$2,083,483.89, in subsidiaries and the parent's equities, \$4,158,011.11, in the net assets of such subsidiaries, as shown by their books at April 30, 1952, was \$2,074,527.22. In consolidation such difference has been applied as follows:

Excess of equity in net assets over cost of investment at time of acquisition—credited to capital surplus	\$1,243,359.89
Undistributed earnings of the subsidiaries applicable to the parent company's investments since dates of acquisition by Cenco Corporation—credited to consolidated earned surplus.....	831,167.33
	<u>\$2,074,527.22</u>

The balance sheets of the Canadian subsidiaries as at April 30, 1952 have been converted to U. S. dollars at par for purposes of consolidation. Statements of earnings for the years ended April 30, 1950, 1951 and 1952 have been converted at the average rates of exchange for each year. The combined net assets of such subsidiaries at April 30, 1952 were \$712,051.46 and the combined net earnings for the years ended April 30, 1950, 1951 and 1952 were \$86,090.55, \$88,605.02 and \$131,642.58, respectively.

All material intercompany items and transactions have been eliminated in the preparation of the consolidated financial statements.

B—Inventories

Manufactured goods are stated at standard cost and other materials and products at cost (first-in, first-out). Such costs do not exceed current replacement or realizable values.

Inventories used in the computation of cost of sales for the years were:

	Consolidated		Registrant
	Beginning inventory	Ending inventory	
Year ended April 30, 1950.....	\$2,842,944.50	\$2,769,744.41	—
Year ended April 30, 1951.....	2,769,744.41	3,944,549.66	—
Year ended April 30, 1952.....	<u>3,944,549.66</u>	<u>3,969,826.63</u>	—

C—Property and Equipment and Policies with Respect to Depreciation and Maintenance

Property and equipment are shown in the balance sheet at cost. Except as to the Canadian subsidiaries, fully depreciated assets still in service have been eliminated from the asset accounts and the related allowance for depreciation accounts.

Provision for depreciation is made by the straight line method, at rates which it is estimated will amortize the cost of the properties over the remaining useful lives thereof. The annual depreciation rates are, in general, as follows:

Buildings	3 1/3% to 5%
Machinery and equipment.....	4% to 10%
Tools	20%
Autos	20%
Furniture and fixtures.....	5% to 20%

Expenditures for maintenance and repairs, including incidental renewals, have been charged to expense; expenditures for betterments and additions to properties have been charged to the appropriate property or equipment accounts.

The cost of properties retired, sold or otherwise disposed of and the accrued depreciation thereon have been eliminated from the accounts, and the gain or loss resulting therefrom has been credited or charged to earnings.

D—Intangible Assets

It is the policy of the company to charge all patent expenditures to expense as and when incurred thus leaving the book value of patents at the nominal value of \$1. Such expenditures for the three years ended April 30, 1952 are not material in amount.

E—Federal Taxes on Income

Federal income and excess profits tax returns of Cenco Corporation and its domestic subsidiaries have been filed on a consolidated basis for the years ended April 30, 1949 through April 30, 1952 and are subject to review by the Treasury department. Returns of Central Scientific Company and The Refinery Supply Company have been examined by the Treasury department through the fiscal year ended April 30, 1948 and all taxes for these years have been settled. The tax returns of Central Scientific Company of Canada, Limited, and its subsidiary, The Geo. M. Hendry Company, Limited have been examined by the Dominion Government and the Province of British Columbia through the fiscal year 1951 and by the Provinces of Ontario and Quebec through the fiscal year 1950.

For the year ended April 30, 1950 all of the Federal tax saving resulting from the consolidated return of Cenco Corporation and its domestic subsidiaries was allocated to the subsidiaries which had taxable net income. For the years ended April 30, 1951 and 1952 such tax savings were entirely allocated to Cenco Corporation which had no taxable net income. The savings for the latter two years appear as credit items in the statements of earnings of Cenco Corporation.

The liability for Federal and Canadian taxes on income shown in the consolidated balance sheet is believed to be adequate to cover all taxes payable and accrued and any additional taxes, including interest thereon, which may be assessed in respect of years not yet examined by the governmental agencies.

F—Long-term Debt

The ten-year 5% debentures of Cenco Corporation dated October 1, 1948, amounting to \$841,400.00 are redeemable by lot at the option of the company on at least thirty days' notice at any time prior to maturity at 105% of the principal amount thereof plus accrued interest.

Other obligations due after April 30, 1953 are:

Cenco Corporation:	
Purchase note maturing in quarterly installments to February 1, 1956—secured as shown below	\$79,000.00
Central Scientific Company of California:	
Purchase obligation maturing in semi-annual installments to October 13, 1953.....	11,293.05
Mortgage obligation maturing in monthly installments to August 1954.....	6,848.40
	<u>\$97,141.45</u>

The purchase note is secured by 600 shares of Central Scientific Company and all the capital stock of The Refinery Supply Company.

G—Contingent Liabilities

At April 30, 1952 there were no material contingent liabilities other than in respect of foreign customers' drafts discounted, which at that date amounted to \$25,652.12.

H—Long-term Leases

Annual rentals payable under leases expiring subsequent to April 30, 1957 are:

Lease expiring April 30, 1960.....	\$16,000
Leases expiring during year ending April 30, 1961.....	30,200
Lease expiring January 31, 1968	<u>24,700</u>

I—Capital Stock

Of the authorized and unissued capital stock of Cenco Corporation, 100,000 shares are reserved for sale to employees under stock option contracts. At April 30, 1952 no stock has been issued nor any option contracts entered into for the sale of any of the shares so reserved.

J—Restrictions on Surplus

The loan agreements relating to the fifteen-year 4% sinking fund notes and the 3 3/4% notes payable by Central Scientific Company provide that the company shall not declare or pay any cash dividends or apply any of its funds to the purchase or retirement of its capital stock, except to the extent that such amounts do not exceed in the aggregate the consolidated net earnings of the company and its subsidiaries accumulated after April 30, 1951, plus \$45,000 less the amount of the 4% and 3 3/4% notes theretofore matured, paid or prepaid, provided that such amounts would not reduce consolidated net current assets below \$1,500,000 or 150% of the consolidated funded debt of the company and its subsidiaries, whichever is greater.

The purchase agreement of Cenco Corporation referred to in Note F provides that Refinery Supply Company shall not declare or pay any dividends except to the extent that such dividends do not exceed 80% of its net earnings since January 1, 1951, plus \$40,000.

As of April 30, 1952 the amount of consolidated earned surplus of Cenco Corporation and subsidiaries, restricted under the provisions noted above, was approximately \$591,000.

K—Dividend Received from Subsidiaries

The dividend of \$250,000 declared by Central Scientific Company on February 6, 1951, and recorded in the accounts of Cenco Corporation at that time, was paid on April 10, 1951 by the application of the indebtedness of Cenco Corporation to Central Scientific Company of a like amount arising out of the purchase of 1,766 shares of the treasury common stock of Central Scientific Company.

CERTIFICATE OF TREASURER

I, Wm. J. Luby, Treasurer of Cenco Corporation, hereby certify that the accompanying balance sheet of Cenco Corporation and the consolidated balance sheet of Cenco Corporation and subsidiaries as of November 30, 1952, and the related statements of earnings for the seven months then ended, have been prepared from the books of the companies under my supervision and in my opinion, subject to year-end adjustments and the annual audit, present fairly the financial position at November 30, 1952, and the results of operations for the seven months ended November 30, 1952, of Cenco Corporation and of Cenco Corporation and subsidiaries, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WM. J. LUBY
Treasurer of Cenco Corporation

January 21, 1953

CENCO CORPORATION AND SUBSIDIARIES

BALANCE SHEET—NOVEMBER 30, 1952

	Consolidated	Registrant
CURRENT ASSETS:		
Cash	\$ 861,403.90	\$ 66,871.14
United States and Canadian Government Securities.....	161,342.50	—
Receivables:		
Trade and Other	\$1,640,307.94	—
Less Allowance for Doubtful Accounts.....	45,720.62	—
Inventories, at the lower of cost or market:		
Finished Product	\$2,786,806.26	—
Work in Process and Parts.....	457,333.02	—
Raw Material and Supplies.....	249,463.06	—
Goods in Transit.....	228,282.12	—
Total Current Assets.....	\$6,339,220.18	\$ 66,871.14
PROPERTIES AND EQUIPMENT, AT COST:		
Land	\$ 81,217.07	—
Buildings	366,179.00	—
Machinery, Equipment, etc.....	865,512.25	—
	\$1,312,908.32	—
Less Allowance for Depreciation.....	556,524.87	—
DEFERRED CHARGES:		
Deferred Catalog Expense.....	\$ 46,080.34	\$ —
Unexpired Insurance Premiums.....	60,568.79	200.00
Other Prepaid Expenses.....	70,211.69	200.00
Patents and Goodwill.....	1.00	—
INVESTMENTS IN SUBSIDIARIES—(eliminated in consolidation):		
The Refinery Supply Company.....	\$ —	\$ 220,584.21
Central Scientific Company.....	—	1,862,899.68
	\$7,272,465.45	\$2,150,555.03
CURRENT LIABILITIES:		
Accounts Payable	\$ 593,791.34	\$ —
Current Installments on Long-Term Debt	180,386.13	28,000.00
Accrued Payroll, other Taxes, Commissions, etc.....	189,175.61	7,298.29
Federal and Canadian Taxes on Income.....	846,717.95	28,913.40
Total Current Liabilities.....	\$1,810,071.03	\$ 64,211.69
LONG-TERM DEBT:		
Fifteen Year Loan of Central Scientific Company, Installments due after November 30, 1953.....	\$1,250,000.00	\$ —
Ten year 5% Debentures of Cenco Corporation due 1958 (less \$5,000 held in Treasury)	841,400.00	841,400.00
Other Obligations, amounts due after November 30, 1953.....	62,294.76	58,000.00
	2,153,694.76	899,400.00
STOCKHOLDERS' EQUITY:		
Capital Stock—Authorized 2,500,000 shares—issued 980,956 shares at \$1 par value	\$ 980,956.00	\$ 980,956.00
Capital Surplus	1,369,902.50	126,542.61
Retained Earnings:		
Balance, April 30, 1952.....	\$ 860,280.96	\$ 29,113.63
Net Earnings for the Seven Months Ended November 30, 1952.....	195,622.80	148,393.70
	\$1,055,903.76	\$ 177,507.33
Less—Dividend Paid—10¢ per share.....	98,062.60	98,062.60
Balance, November 30, 1952.....	\$ 957,841.16	\$ 79,444.73
Total Stockholders' Equity	\$3,308,699.66	\$1,186,943.34
	\$7,272,465.45	\$2,150,555.03

The accompanying notes are an integral part of this statement.

CENCO CORPORATION AND SUBSIDIARIES

STATEMENTS OF EARNINGS
Seven Months Ended November 30, 1952

	Consolidated	Registrant
Net Sales	\$7,095,548.53	\$ —
Cost of Sales.....	4,807,292.27	—
Gross Profit	\$2,288,256.26	\$ —
Operating Expenses:		
Purchasing and Merchandising	\$ 491,367.44	\$ —
Sales and Administrative.....	1,336,256.55	11,848.84
Operating Profit or (Loss).....	\$ 460,632.27	\$(11,848.84)
Other Income:		
Dividends Received from Subsidiaries—eliminated in Consolidation.....	\$ —	\$187,000.00
Exchange Gain on Conversion of Net Assets of Canadian Subsidiary.....	7,464.32	—
Discounts Earned and Sundry.....	27,596.04	187,000.00
Other Charges:		
Interest	\$ 59,847.67	\$ 26,757.46
Sundry	2,222.16	—
Earnings before Taxes on Income.....	\$ 433,622.80	\$148,393.70
Provision for Federal and Canadian Taxes on Income:		
Income Taxes (excess profits tax—nil)	238,000.00	—
Net Earnings	\$ 195,622.80	\$148,393.70

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

November 30, 1952

Note 1—Basis of Consolidation

The consolidated statements include the accounts of Cenco Corporation and all its active subsidiaries. Investments in inactive subsidiaries were charged off in 1951; no dividends or other income from such subsidiaries are included in the consolidated statements.

Note 2—Long-term Debt

Under the terms of two agreements in connection with the fifteen-year loan, Central Scientific Company is obligated to make payments in annual installments as follows: \$125,000—1953 to 1956, \$100,000—1957 to 1961 and \$75,000—1962 to 1966. Notes of \$400,000 which become due \$100,000 each year 1953 through 1956 bear interest at 3¼%; the balance of \$975,000 bears interest at 4%.

Other obligations due after November 30, 1953 are:

Cenco Corporation:

Purchase note maturing in quarterly installments to February 1, 1956—secured as shown below	\$58,000.00
Central Scientific Company of California.....	4,294.76
	<u>\$62,294.76</u>

The purchase note is secured by 600 shares of Central Scientific Company and all the capital stock of The Refinery Supply Company, a wholly-owned subsidiary.

Note 3—Retained Earnings

The fifteen-year loan agreements referred to in note 2 contain provisions which restrict Central Scientific Company in the payment of dividends or distributions to stockholders in cash or property, or the purchase or redemption of any shares of its capital stock. The Refinery Supply Company is also restricted as to the amount of dividends which it may pay under terms of a purchase agreement. The effect of this agreement is to restrict \$115,929.68 of retained earnings of The Refinery Supply Company. The amount of consolidated retained earnings restricted under the aforesaid agreements is \$669,680.92.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago, within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange, except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said city. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for the listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.
- (14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.
- (15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.
- (16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.
- (17) To furnish to the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.
- (18) To notify the Exchange of its intention, at least fifteen days prior to filing an application to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

Transfer Agents: United States Corporation Company, 160 Broadway, New York, New York and 15 Exchange Place, Jersey City, New Jersey and Continental Illinois National Bank & Trust Company of Chicago, Chicago, Illinois.

Registrar: The First National Bank of Chicago, 38 South Dearborn Street, Chicago, Illinois.

The fiscal year of the Company ends on April 30 of each year.

The annual meeting of the stockholders is held at the principal office of the Company, 1700 Irving Park Road, Chicago, Illinois, on the third Tuesday in August of each year if not a legal holiday, and if a legal holiday, then on the next business day following.

Chicago South Shore and South Bend Railroad

(an Indiana corporation, herein called South Shore)

Common Stock
(Par Value \$12.50 Per Share)

Prepared by the South Shore

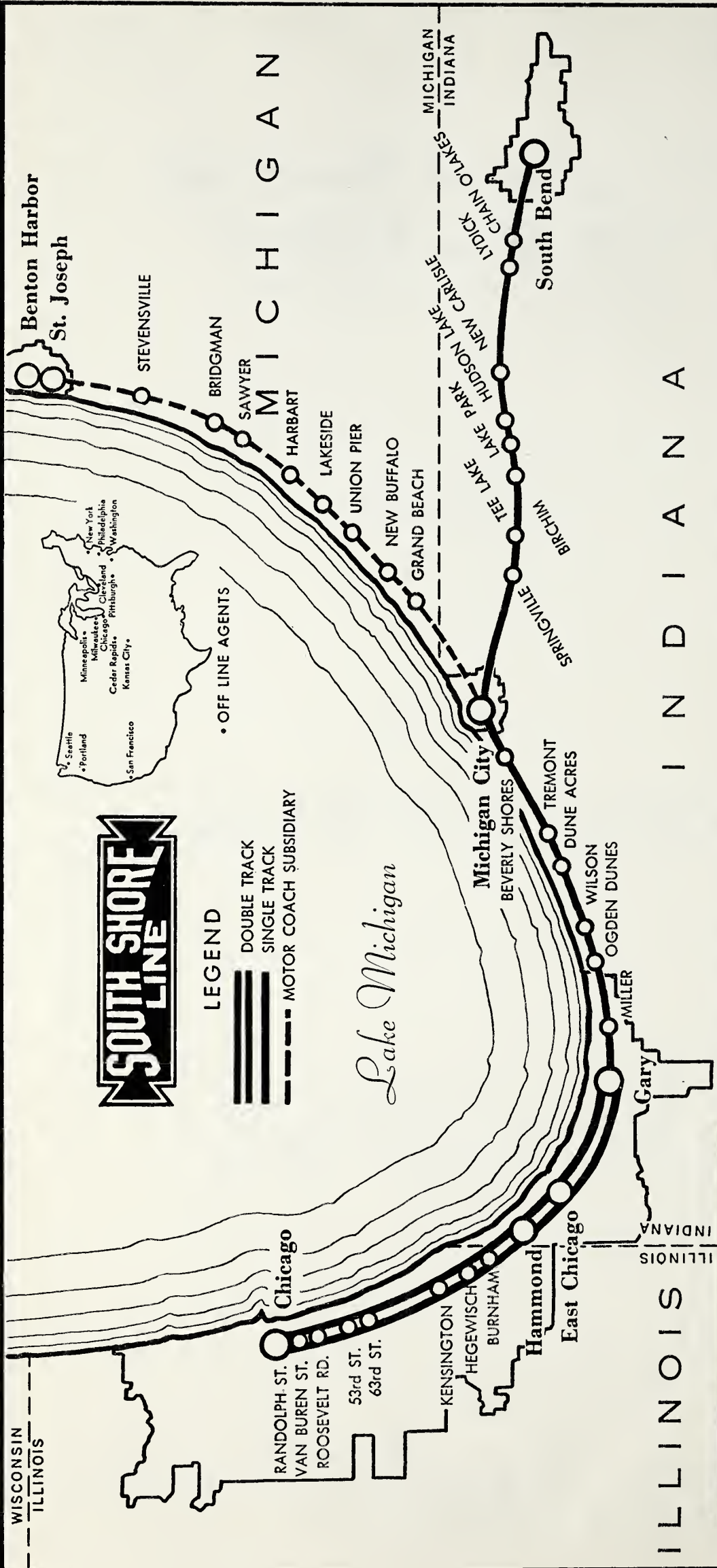
for

Midwest Stock Exchange

Chicago South Shore and South Bend Railroad has made application to list 311,580 shares of its Common Stock, \$12.50 par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on July 17, 1953.

THIS CIRCULAR WAS PREPARED BY THE SOUTH SHORE FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE SOUTH SHORE SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

CHICAGO SOUTH SHORE and SOUTH BEND RAILROAD



FREIGHT INTERCHANGE CONNECTIONS WITH OTHER RAILROADS

CHICAGO, ILLINOIS

ILLINOIS CENTRAL RAILROAD
CHICAGO, ROCK ISLAND & PACIFIC RAILWAY COMPANY
CHICAGO & CALUMET RIVER RAILROAD COMPANY
BELT RAILWAY COMPANY OF CHICAGO

HAMMOND, INDIANA

BALTIMORE & OHIO CHICAGO TERMINAL RAILROAD

EAST CHICAGO, INDIANA

INDIANA HARBOR BELT RAILROAD

GARY, INDIANA

WABASH RAILROAD COMPANY
PENNSYLVANIA RAILROAD
ELGIN, JOLIET & EASTERN RAILWAY COMPANY
BALTIMORE & OHIO RAILROAD

MICHIGAN CITY, INDIANA

NEW YORK CENTRAL R. CO. (MICHIGAN CENTRAL DIV.)
CHICAGO, INDIANAPOLIS & LOUISVILLE RAILWAY
THE C. & O. RAILWAY CO. (PERE MARQUETTE DIVISION)
(THROUGH C. I. & L. RAILWAY)

SOUTH BEND, INDIANA

NEW YORK CENTRAL RAILROAD COMPANY
GRAND TRUNK RAILROAD (THROUGH N. Y. C. R. CO.)

Chicago South Shore and South Bend Railroad

(an Indiana corporation)

Common Stock

(Par Value \$12.50 Per Share)

Chicago South Shore and South Bend Railroad (herein called South Shore), has made application to list 311,580 shares of its common stock, par value \$12.50 per share, on the Midwest Stock Exchange, the Executive Committee of which approved such application on July 17, 1953.

CAPITALIZATION

(as of July 15, 1953)

<u>Capital Stock</u>	<u>Number of Shares Authorized</u>	<u>Number of Shares Outstanding</u>
Common stock, par value \$12.50 per share	670,000	311,580

None of the 358,420 shares of unissued stock is reserved for any purpose or purposes and there are no contracts, agreements or options for the purchase or sale of any of such unissued stock. None of the shares of unissued stock shall be issued without the specific approval by affirmative vote of the holders of a majority of the outstanding shares.

The South Shore has no funded debt or preferred stock.

DESCRIPTION OF COMMON STOCK

The rights and privileges attached to each share of common stock are equal in all respects to the rights and privileges attached to every such other share of common stock. Each share is entitled to exercise one vote. All shares participate equally in dividends and in liquidation incident to dissolution.

Under the charter of the South Shore the holders of outstanding stock do not have pre-emptive rights to subscribe or purchase additional stock issued by the South Shore, and do not have cumulative voting in the election of directors.

HISTORY

The South Shore was incorporated June 23, 1925 under the laws of Indiana and is admitted to do business in Illinois. The South Shore, on September 18, 1929, filed Articles accepting the Indiana General Corporation Act under which it has a perpetual charter. Immediately after the organization of the South Shore in 1925 it acquired the franchises, rights and railroad property of the Chicago, Lake Shore and South Bend Railway Company through foreclosure proceedings in the United States District Court at South Bend, Indiana. The railroad was originally constructed by the above named predecessor in 1907 to 1909 and commenced operating in 1909. On September 30, 1933 a petition was filed for reorganization of the South Shore under Section 77 of the Bankruptcy Act as a result of defaults under certain equipment trust obligations issued in 1926, 1927 and 1929. A reorganization plan was in due course approved and consummated on February 1, 1938. Under the plan \$1,341,000 of bonds, \$212,800 of 5 year notes, two classes of preferred stock and common stock were issued. The bonds and notes were retired and on April 30, 1942 a recapitalization was effected whereby 77,895 shares of new common stock of the par value of \$50 per share were issued for the two classes of preferred stock, and the old common cancelled.

The Interstate Commerce Commission, by an order entered May 29, 1944 (257 ICC 820), authorized the conversion of the 77,895 shares of Common Stock, par value \$50 per share, issued and outstanding at December 31, 1943, into 311,580 shares of Common Stock, par value \$12.50 per share, on the basis of four shares of Common Stock of the par value of \$12.50 per share for each share of Common Stock, of the par value of \$50 per share, and such conversion was made effective by the filing and recording of the necessary Articles of Amendment.

BUSINESS

The South Shore operates an electric railroad for passengers from Randolph Street, Chicago, to South Bend, Indiana, a distance of about 90 miles, serving Hegewisch, Hammond, East Chicago, Gary, Michigan City and South Bend, and many intermediate communities. It also operates a carload freight business from Kensington, Illinois, to South Bend, serving a large number of industries, and has freight interchange connections with other railroads as shown on the map on page 2.

Territory

The South Shore traverses a territory that has expanded rapidly in the last forty years in industrial development and in population, particularly on the western end of the line in the Chicago area. There are still large tracts of unimproved land adjacent to the railroad that are available for further expansion. Realizing the advantages of on-line industries, the South Shore has purchased lands for industrial sites and employed industrial realtors to promote its sale to carload freight receivers or shippers. From Kensington Station eastward the line is located for about six miles in the southeastern part of Chicago, and the remainder passes through the northern parts of Lake, Porter, LaPorte and St. Joseph counties in Indiana.

The business development is largely that of heavy industries, although a number of concerns are producers of consumers' goods.

Connections and Service

The South Shore maintains direct connections for the interchange of carload freight with nine trunk lines and four belt or switching lines and indirect connections with two other railroads. These connections give the South Shore full access to all freight business in the Chicago Industrial area, Michigan City and South Bend.

Ordinarily the freight revenue accounts for a little more than 50% of the South Shore's total operating revenues. The freight traffic of the South Shore consists of the transportation of freight generally, except that no live stock is handled. Approximately 90% of the freight carried is interstate and originates off the line of the South Shore, being delivered to the South Shore by other railroads.

The South Shore operates an hourly passenger service between Randolph Street, Chicago, and South Bend from 6:00 A.M. to midnight, and an intermediate service hourly between Randolph Street and Gary from 6:30 A.M. to 7:30 P.M. Running time for the South Bend service is generally about 2 hours and 20 minutes with one train scheduled from South Bend to Randolph Street in 1 hour and 54 minutes. The running time of the Gary trains is about 54 minutes. This provides Gary and stations west of Gary with a half-hourly service and with a train every hour on the line east of that point during the periods indicated.

Subsidiary

A subsidiary of the South Shore operates a motor coach service between Benton Harbor and St. Joseph in Berrien County, Michigan, and Michigan City, Indiana. While this is generally known as resort territory, Benton Harbor and St. Joseph are also important industrial centers. There is a substantial amount of revenue derived from travel between points served by the motor coach line and stations on the line of the South Shore.

Competition

The trunk lines above referred to are necessary and valuable freight connections of the South Shore; at the same time the latter may be said to be in competition with all of the lines except the Illinois Central and the Chicago, Rock Island and Pacific because a major part of the freight traffic of the South Shore could be transported by the trunk lines; however, in the opinion of the management, the South Shore has an inherent competitive advantage over the trunk lines in that, as an efficiently operated short line, it is generally able to afford expeditious service, to maintain a closer and better control over the transportation of individual cars and to keep its patrons more promptly advised of the movement of their shipments.

In order to be on a competitive bases, the South Shore is a party to the necessary tariffs publishing the rates, rules and regulations applicable via the trunk lines. It has satisfactory arrangements with the carriers for the division of the interline freight revenues. It maintains traffic soliciting offices in Seattle, Portland, San Francisco, Kansas City, Cedar Rapids, Minneapolis, Milwaukee, Chicago, South Bend, Cleveland, Pittsburgh, Washington, Philadelphia and New York.

Some of the trunk line railroads offer passenger competition to the South Shore; however, the more frequent and reliable schedules and the conveniences and comforts of the service of the South Shore, which transports passengers to and from the heart of Chicago's business and shopping district, tends to minimize the competition of the trunk line railroads. There is also competition by motor coach lines which offer lower rates of fare between Chicago and points on the South Shore's line. This competition also is minimized by the faster schedules and quality of service maintained by the South Shore.

PROPERTY

The South Shore owns the portion of the railroad line operated by it in the State of Indiana, extending from South Bend, Indiana, to the Illinois-Indiana state line, a distance of 69.19 miles. From the Illinois-Indiana state line to Kensington, a distance of 6.19 miles, the Railroad operates over the tracks of the Kensington and Eastern Railroad Company under an agreement briefly described under "Power and Operating Agreements." From Kensington to the Illinois Central Railroad Company's Randolph Street Station at Chicago, Illinois, a distance of 14.20 miles, the Railroad has trackage rights over the electrified suburban tracks of Illinois Central Railroad Company under an agreement briefly described under "Power and Operating Agreements."

The South Shore's equipment, railway track and structures have been adequately maintained and are in good operating condition.

The South Shore has 64 passenger cars containing 4,168 seats, of which 36 containing 2,736 seats have been modernized to present day standards. The South Shore has 19 electric locomotives of modern design, 64 freight cars, 13 cabooses and 8 work cars. Three of its locomotives are among the largest used by any railroad.

All of its main line track is laid with 100 pound or heavier rail on creosoted ties imbedded in rock ballast. The ties and ballast are in good condition; tie plates are used throughout the main line, and the frogs and switches are of standard design and in good condition. The trains are protected by color light block signals.

The South Shore owns passenger stations in Hammond, Gary, Michigan City and South Bend, Indiana. All of these are of brick construction and have been built new or remodeled and modernized since 1926. It also owns or rents stations at other locations. The main operating offices and headquarters of the South Shore are located in Michigan City, Indiana, and include a brick office building having an area of approximately 10,000 square feet, most of which was built in 1926 and 1928; an inspection shop having an area of approximately 26,000 square feet, built of brick and steel in 1907; an overhaul shop having an area of approximately 31,000 square feet, built in 1929; and a number of smaller buildings used for maintenance work.

POWER AND OPERATING AGREEMENTS

The electric energy employed in the operation of the South Shore's trains and railway system in Indiana is purchased from Northern Indiana Public Service Company under contract rates on file with, and approved by, the Public Service Commission of Indiana. The current is 1500 volt D.C. energy, metered at the substations, and the charges therefor are based on maximum demand and energy consumed.

The South Shore operates its trains from Kensington to the Illinois Central Railroad Company's Randolph Street Station in Chicago, Illinois, under a trackage agreement with Illinois Central Railroad Company dated January 4, 1933, which extends to October 31, 1957. The South Shore will negotiate for its renewal and has reason to believe it will be renewed. The rental under said agreement, including power furnished, varies with the volume of passenger business and is based upon an agreed rate per passenger carried plus a charge per car per trip. The amount paid by the South Shore in 1952 was \$501,809.

From the Indiana state line to Kensington, the South Shore operates over the tracks of the Kensington and Eastern Railroad Company (a subsidiary of the Illinois Central) under an agreement of lease, dated October 18, 1904 (as subsequently supplemented), between Illinois Central Railroad Company, Kensington and Eastern Railroad Company, Indiana Kensington Railroad Company (a wholly owned subsidiary of the South Shore) and The Chicago, Lake Shore and South Bend Railroad Company (a predecessor of the South Shore), which agreement extends to October 8, 1954, with a right of renewal in perpetuity. Under said agreement the South Shore pays rental based on a percentage of the cost of the facilities used by the South Shore pursuant thereto. In the year ended December 31, 1952, the aggregate rentals paid by the South Shore under said agreement were \$78,768. The South Shore purchases electric energy at Kensington, Illinois, from the Illinois Central Railroad Company.

STOCK DISTRIBUTION AT JULY 8, 1953

About 3700 shareholders own 311,580 shares of the common stock of the South Shore. The largest shareholder owns of record approximately 5% of the shares. The ten largest shareholders own 35,494 shares. The officers and directors as a group own 6,066 shares.

1,662 shareholders own from	1 to	25 shares
673 shareholders own from	26 to	50 shares
779 shareholders own from	51 to	100 shares
344 shareholders own from	101 to	200 shares
110 shareholders own from	201 to	300 shares
38 shareholders own from	301 to	400 shares
33 shareholders own from	401 to	500 shares
35 shareholders own from	501 to	1,000 shares
19 shareholders own over		1,000 shares.

The stock is held by residents of 45 states and the District of Columbia. There are more than 50 shareholders in 11 states. There are approximately 2,300 shareholders in Illinois and Indiana.

DIRECTORS AND OFFICERS

<u>Name of Director or Officer</u>	<u>Mailing Address</u>	<u>Position and Offices Held</u>
Jay Samuel Hartt.....	327 South LaSalle Street Chicago 4, Illinois	President and Director
Charles H. Jones.....	Michigan City, Indiana	Vice President, General Manager and Director
William Petersen	330 South Wells Street Chicago 6, Illinois	Vice President (Traffic) and Director
Edward H. Utley.....	Michigan City, Indiana	Vice President, Comptroller and Director
Bernard J. Voll.....	206 East Tutt Street South Bend, Indiana	Director
Raymond A. Schaub.....	114th and Lake Avenue Whiting, Indiana	Director
Wilbert W. Gasser	504 Broadway Gary, Indiana	Director
Joseph H. Briggs.....	135 South LaSalle Street Chicago 3, Illinois	Director
Dean H. Mitchell.....	5265 Hohman Avenue Hammond, Indiana	Director
Edward H. Bross.....	Michigan City, Indiana	Secretary and Auditor
Willard M. Bernethy	Michigan City, Indiana	Treasurer
Lloyd E. Bantz.....	Michigan City, Indiana	Assistant Secretary and Assistant Treasurer

There are no bonus or profit sharing plans in which directors or officers of the South Shore are eligible to participate, nor any pension, retirement, savings or similar plan wholly or partly for the benefit of officers of the South Shore to which the South Shore or its subsidiaries contribute.

DIVIDEND RECORD

Regularly quarterly cash dividends of 25 cents (annual rate \$1 per share) have been paid on the South Shore's common stock on the 15th of March, June, September and December during the five years 1948 to 1952, except the quarterly payment on September 15, 1948 was 15 cents.

FINANCIAL STATEMENTS

The following financial statements are included in this circular:

1. Accountants' Certificate.
2. Balance Sheet—December 31, 1952.
3. Statements of Income—December 31, 1950, 1951, 1952.
4. Statements of Surplus Accounts—December 31, 1950, 1951, 1952.

ACCOUNTANTS' CERTIFICATE

Arthur Andersen & Co., 120 South LaSalle Street, Chicago 3, Illinois, has given opinions that:

They have examined the balance sheet of Chicago South Shore and South Bend Railroad, an Indiana corporation, of Michigan City, Indiana, and its wholly-owned subsidiary, Chicago, South Shore and South Bend Railroad, a Michigan corporation, of Michigan City, Indiana, as of December 31, 1952, and the related statements of income and surplus for the three fiscal years then ended. Their examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as they considered necessary in the circumstances.

In their opinion, the balance sheets and statements of income and surplus present fairly the financial position of Chicago South Shore and South Bend Railroad, an Indiana corporation, and its wholly-owned subsidiary corporation at December 31, 1952, and the results of their operations for the three fiscal years then ended, in conformity with principles of accounting prescribed by the Interstate Commerce Commission applied on a basis consistent with that of the preceding year.

CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD

(an Indiana corporation)

BALANCE SHEET—DECEMBER 31, 1952

ASSETS		
Road and Equipment, at cost.....		\$15,332,250
Investment in Subsidiary Company—at nominal value.....		1
Current Assets:		
Cash	\$ 1,579,563	
United States Government securities.....	460,000	
Accounts receivable	402,847	
Materials and supplies—priced at cost.....	868,176	3,310,586
Prepaid Accounts and Deferred Charges.....		34,536
		<u>\$18,677,373</u>
LIABILITIES		
Common Capital Stock—par value \$12.50 per share—authorized 670,000 shares—outstanding 311,580 shares..		\$ 3,894,750
Current Liabilities:		
Accounts payable	\$ 1,330,443	
Accrued taxes—		
State, local and miscellaneous Federal	151,588	
Federal income	340,810	
Other current liabilities	18,030	1,840,871
Reserves:		
Depreciation—road and equipment	\$ 3,593,131	
Injuries and damages	114,181	3,707,312
Reorganization Adjustments of Capital (shown on the books under acquisition adjustment).....		3,261,714
Unearned Surplus, arising primarily from reduction in capital stock under plan of recapitalization effective April 30, 1942		3,648,956
Earned Surplus—since February 1, 1938		2,323,770
		<u>\$18,677,373</u>

CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD
(an Indiana corporation)

STATEMENT OF INCOME

For the Years Ended December 31, 1952, 1951 and 1950

	Year ended December 31		
	1952	1951	1950
RAILWAY OPERATING REVENUES:			
Passenger revenue	\$ 3,323,381	\$ 3,340,554	\$ 3,259,241
Freight and switching revenue	3,748,497	3,858,816	3,431,017
Other revenue from transportation	93,119	78,994	75,770
Revenue from other railway operations	104,210	95,066	86,295
Total railway operating revenues	<u>\$ 7,269,207</u>	<u>\$ 7,373,430</u>	<u>\$ 6,852,323</u>
RAILWAY OPERATING EXPENSES, RENTS AND TAXES:			
Operating expenses—			
Maintenance—			
Way and structures	\$ 836,604	\$ 782,916	\$ 708,666
Equipment	516,258	587,910	477,720
Depreciation—road and equipment	224,767	220,166	212,969
Power	519,490	532,155	522,337
Conducting transportation	2,010,178	1,934,037	1,724,117
Traffic	547,283	516,254	461,751
General and miscellaneous	649,359	576,668	554,626
	<u>\$ 5,303,939</u>	<u>\$ 5,150,106</u>	<u>\$ 4,662,186</u>
Rents—			
Rent for leased lines, joint use of tracks, etc.	\$ 614,191	\$ 615,927	\$ 614,696
Rent paid to owners of freight equipment while on the company's line	456,769	494,930	485,717
	<u>\$ 1,070,960</u>	<u>\$ 1,110,857</u>	<u>\$ 1,100,413</u>
Taxes—			
State, local and miscellaneous Federal	\$ 322,594	\$ 310,382	\$ 298,052
Federal income	338,000	384,000	343,000
	<u>\$ 660,594</u>	<u>\$ 694,382</u>	<u>\$ 641,052</u>
Total railway operating expenses, rents and taxes	<u>\$ 7,035,493</u>	<u>\$ 6,955,345</u>	<u>\$ 6,403,651</u>
OPERATING INCOME	<u>\$ 233,714</u>	<u>\$ 418,085</u>	<u>\$ 448,672</u>
OTHER INCOME (net)	68,365	75,113	73,943
NET INCOME	<u><u>\$ 302,079</u></u>	<u><u>\$ 493,198</u></u>	<u><u>\$ 522,615</u></u>

STATEMENT OF EARNED SURPLUS

	1952	1951	1950
Balance, beginning of period	\$ 2,336,831	\$ 2,152,591	\$ 1,941,556
Add—Net Income for year	302,079	493,198	522,615
Other	—	2,622	—
	<u>\$ 2,638,910</u>	<u>\$ 2,648,411</u>	<u>\$ 2,464,171</u>
Deduct—Dividends on capital stock	\$ 311,580	\$ 311,580	\$ 311,580
Other	3,560	—	—
	<u>\$ 315,140</u>	<u>\$ 311,580</u>	<u>\$ 311,580</u>
Balance, end of period	<u><u>\$ 2,323,770</u></u>	<u><u>\$ 2,336,831</u></u>	<u><u>\$ 2,152,591</u></u>

CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD
(a Michigan corporation)

BALANCE SHEET—DECEMBER 31, 1952

A S S E T S

Carrier Operating Property, at cost		\$ 137,676
Special Fund for Insurance Reserves—invested in U. S. Government securities		3,500
Current Assets:		
Cash	\$ 28,229	
Accounts receivable	9,569	
Materials and supplies—priced at cost	6,539	44,337
Prepaid Insurance, etc.		8,992
		<u>\$ 194,505</u>

L I A B I L I T I E S

Common Capital Stock—no par value—authorized and outstanding, 4,500 shares at \$10 stated value		\$ 45,000
Current Liabilities:		
Accounts payable	\$ 14,041	
Accrued taxes—		
State, local and miscellaneous Federal	793	
Federal income	4,003	18,837
Reserves:		
For depreciation	\$ 69,024	
For insurance—employees	3,650	72,674
Paid-In Surplus arising from reduction in capital stock (no change in 1952)		20,541
Earned Surplus—since December 1, 1945		37,453
		<u>\$ 194,505</u>

CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD

(a Michigan corporation)

STATEMENT OF INCOME

For the Years Ended December 31, 1952, 1951 and 1950

	Year ended December 31		
	1952	1951	1950
BUS OPERATING REVENUES:			
Passenger revenue	\$ 208,079	\$ 195,124	\$ 201,223
Other revenue from transportation	3,276	2,955	2,909
Total bus operating revenues.....	\$ 211,355	\$ 198,079	\$ 204,132
BUS OPERATING EXPENSES, RENTS AND TAXES:			
Operating expenses—			
Equipment maintenance and garage expense	\$ 41,968	\$ 39,431	\$ 38,517
Depreciation on equipment	12,946	10,647	8,655
Transportation expense	82,793	75,340	73,170
Station expense	13,501	13,513	14,469
Traffic and advertising expense	956	1,010	1,027
Insurance and safety expense	10,617	9,360	9,707
General and miscellaneous expense	12,846	11,936	13,975
Rents	\$ 175,627	\$ 161,237	\$ 159,520
Taxes—	2,262	3,066	3,356
State, local and miscellaneous Federal	18,131	16,028	15,574
Federal income	3,900	4,200	7,800
Total bus operating expenses, rents and taxes.....	\$ 199,920	\$ 184,531	\$ 186,250
OPERATING INCOME	\$ 11,435	\$ 13,548	\$ 17,882
OTHER INCOME OR (DEDUCTIONS)	88	88	(318)
NET INCOME	\$ 11,523	\$ 13,636	\$ 17,564

STATEMENT OF EARNED SURPLUS

	1952	1951	1950
Balance, beginning of period	\$ 35,455	\$ 30,319	\$ 28,380
Add: Net Income for year	11,523	13,636	17,564
	\$ 46,978	\$ 43,955	\$ 45,944
Deduct: Dividends on capital stock	\$ 9,000	\$ 8,000	\$ 15,000
Other	525	500	625
	\$ 9,525	\$ 8,500	\$ 15,625
Balance, end of period	\$ 37,453	\$ 35,455	\$ 30,319

OPINION OF COUNSEL

John C. Lawyer, of the firm of Lawyer and Anderson, 5305 Hohman Avenue, Hammond, Indiana, counsel of the South Shore, has given his opinion that:

1. Chicago South Shore and South Bend Railroad was duly and lawfully organized under the laws of the state of Indiana on June 23, 1925. On September 18, 1929 it filed Articles accepting The Indiana General Corporation Act under which it has a perpetual charter. It is presently validly existing and in good standing under the laws of Indiana, and is admitted to do business in Illinois.

2. The South Shore has charter authority for 670,000 shares of common stock having a par value of \$12.50 per share.

3. That there are issued and outstanding 311,580 shares of said common stock; that said shares were duly and regularly authorized, validly issued, fully paid, non-assessable, and are not liable to further calls or assessments.

AGREEMENTS

The South Shore has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said city. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.

(8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.

(9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

The address of the principal office of the South Shore is Michigan City, Indiana.

The fiscal year of the South Shore ends on December 31, of each year.

The annual meeting of the shareholders is held at the principal office of the South Shore, at 114 East 11th Street, Michigan City, Indiana, on the last Thursday of March in each year if not a legal holiday and if a legal holiday, then on the next business day.

The Transfer Agent for the Common Stock of the South Shore is:

Continental Illinois National Bank and Trust Company
of Chicago
231 South LaSalle Street
Chicago 90, Illinois.

The Registrar for the Common Stock of the South Shore is:

City National Bank and Trust Company of Chicago
208 South LaSalle Street
Chicago 90, Illinois.

THIS CIRCULAR IS NOT A PROSPECTUS OR AN OFFER OF SECURITIES. THE INFORMATION HEREIN IS SUBJECT TO THE MORE COMPLETE INFORMATION AND STATEMENTS RELATING TO THE SECURITIES CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES, FILED BY THE SOUTH SHORE WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MID-WEST STOCK EXCHANGE.

Scurry-Rainbow Oil Limited

(An Alberta Corporation)

Capital Stock

(Par Value 50¢ Per Share)

Prepared by the Company

for

Midwest Stock Exchange

Scurry-Rainbow Oil Limited has made application to list shares of its Capital Stock, 50¢ par value, on the Midwest Stock Exchange. Said application was approved by the Executive Committee of the Midwest Stock Exchange on March 31, 1954.

THIS CIRCULAR WAS PREPARED BY THE COMPANY FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT THAT THE COMPANY SUMMARIZE THE INFORMATION CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES. THE EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

Scurry-Rainbow Oil Limited

(An Alberta Corporation)

Capital Stock

(Par Value 50¢ Per Share)

Scurry-Rainbow Oil Limited has made application to the Midwest Stock Exchange (which application was approved by the Executive Committee on March 31, 1954) for the listing of:

4,710,416 shares of its Capital Stock, of the par value of 50¢ (Canadian) per share, on official notice of issuance and distribution pursuant to the Exchange Offer described in the attached Prospectus and subject to the effectiveness of such Exchange Offer (10,000 of such shares being issued and outstanding and 4,700,416 being the maximum amount of authorized but unissued shares issuable pursuant to such Exchange Offer).

The shares of such Capital Stock issued and outstanding are fully paid and non-assessable, with no personal liability attaching to the ownership thereof, and all of such shares of Capital Stock issuable upon the effectiveness of such Exchange Offer will, upon the issue thereof, be fully paid and non-assessable, with no personal liability attaching to the ownership thereof.

OPINION OF COUNSEL

Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones, 600 Lancaster Building, Calgary, Alberta, Canada, and Messrs. Porter, Allen & MacKimmie, 436 Lougheed Building, Calgary, Alberta, Canada, have rendered opinions in support of this listing application as to the organization of the Company and the validity of the securities being listed hereunder. Mr. G. H. Allen, a member of the firm of Porter, Allen & MacKimmie, is a Director of the Company.

PROSPECTUS

There is attached hereto and incorporated herein by reference a copy of the Company's Prospectus issued in connection with the Exchange Offer made in respect of 4,700,416 shares of the Company's Capital Stock, including the financial statements contained therein. An index of the contents of said Prospectus appears on the inside front cover thereof, at page 2.

AGREEMENTS

The Company has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Cleveland, Ohio, where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Cleveland, Ohio, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the company, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Cleveland, Ohio, transfer agent to act, the Company will immediately take the necessary steps to secure a new transfer agency in Cleveland, Ohio, and in the interim will act as its own transfer agent in said City. In the event the Cleveland, Ohio, transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Cleveland, Ohio, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the company's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights, in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Cleveland, Ohio.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to

PROSPECTUS

4,700,416 Shares of Capital Stock

Par Value 50¢ Per Share

SCURRY-RAINBOW OIL LIMITED

Exchange Offer

Scurry-Rainbow Oil Limited (hereinafter generally referred to as the "Company") hereby offers (a) to the shareholders of Scurry Oils Limited (hereinafter generally referred to as "Scurry") one share of Capital Stock of the Company in exchange for each share of Capital Stock of Scurry held by them, and (b) to the shareholders of Rainbow Oil Limited (hereinafter generally referred to as "Rainbow") 3.8 shares of Capital Stock of the Company in exchange for each share of Capital Stock of Rainbow held by them. The offers are subject to the terms and conditions set forth herein under the caption "Exchange Offer".

The Shares are Speculative Securities.

The Exchange Offer expires Tuesday, April 5, 1954, unless extended as herein provided.

In the event that all 2,670,000 shares of Scurry Capital Stock and all 534,320 shares of Rainbow Capital Stock now outstanding are exchanged pursuant to the Exchange Offer, the Company would be obligated to issue a total of 4,700,416 shares of Capital Stock.

Unless otherwise indicated, all amounts of money referred to in this Prospectus are expressed in Canadian dollars.

A copy of this Prospectus has been filed with the Registrar of Joint Stock Companies for the Province of Alberta, Canada.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is March 8, 1954

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REGISTRATION STATEMENT

The Company has filed with the Securities and Exchange Commission, Washington, D. C., a Registration Statement under the Securities Act of 1933 in respect of the Capital Stock offered hereby and the Exchange Offer. For further information with respect to the Company, Scurry, Rainbow, the Exchange Offer and the Company's Capital Stock, reference is made to such Registration Statement and the financial schedules and exhibits filed as a part thereof.

The Company is a corporation formed under The Companies Act of Alberta. Certain of its officers and of the experts named herein are residents of Canada. As a result it may be difficult for investors to effect service upon such officers, or experts, within the United States, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability under the Securities Act of 1933. The Company has been advised by Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones and Messrs. Porter, Allen & MacKimmie that there is substantial doubt as to the enforceability in Canada of liabilities predicated solely upon the Securities Act of 1933.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus is not an offer or a solicitation by the Company in any jurisdiction to any person to whom it is unlawful for the Company to make such offer or solicitation in such jurisdiction.

SCURRY-RAINBOW OIL LIMITED

4,700,416 Shares of Capital Stock
Par Value 50¢ Per Share

EXCHANGE OFFER

In order to effect an amalgamation of Scurry and Rainbow, the Company hereby offers (a) to the shareholders of Scurry one share of Capital Stock of the Company in exchange for each share of Capital Stock of Scurry held by them, and (b) to the shareholders of Rainbow 3.8 shares of Capital Stock of the Company in exchange for each share of Capital Stock of Rainbow held by them. The offer is conditioned upon the acceptance thereof by the holders of at least 1,361,700 (51%) of the outstanding 2,670,000 shares of Scurry and 427,456 (80%) of the outstanding 534,320 shares of Rainbow and upon the further conditions set out below.

In the opinion of counsel, under the Canadian and United States income tax laws no taxable gain or loss will result to any shareholder of Rainbow by reason of the exchange of his stock pursuant to the Exchange Offer; and no taxable gain or loss will result to any shareholder of Scurry under Canadian income tax laws, but for United States income tax purposes gain or loss will be recognized to the shareholders of Scurry unless 80% or more of the outstanding shares of Scurry are exchanged.

Background of Amalgamation

Since the inception of Scurry and Rainbow in 1950, most of their Canadian development has occurred in the same properties. Today the two companies have interests in 15 producing oil leases with 35 producing oil wells of which 10 leases with 22 wells are joint properties, and one joint gas property, as well as extensive interests in undeveloped acreage, mostly joint properties. Scurry has acted as the operator of most of these properties, including all wells but one.

Over the past year it has become increasingly apparent that a combination of the Canadian operations of the two companies would offer advantages and economies not available to each company separately, in the acquisition of new properties, the raising of additional capital, and the development and operation of the existing properties. For the past several months Directors and officers of both companies have been actively studying the feasibility of such an amalgamation, with the United States interests of Rainbow being distributed to its shareholders.

As a result of these studies the Directors of Scurry and of Rainbow have determined that an amalgamation is desirable through the organization of the new Company to acquire the shares of the two companies, and that the proposed ratio of exchange, one share of the new Company for each present Scurry share, and 3.8 shares of the new Company for each present Rainbow share, represents a fair relationship between the values of the two companies. In these studies and negotiations there were carefully considered each company's Canadian oil and gas reserves and undeveloped acreage, their operating history and results, management and operating policies, anticipated economies in exploration, operating and administration costs, the financial resources of each company, and the investment qualities of the two stocks including their respective book values and price ranges.

Accordingly the Directors of Scurry and of Rainbow have recommended to their share-

holders acceptance of the offer and have agreed to exchange all of their company's stock owned by them—approximately 3.6% of the Scurry shares and 22.5% of the Rainbow shares.

Expiration Date

The Expiration Date of the Exchange Offer will be at 4 P.M. Eastern Standard Time on Tuesday, April 5, 1954, or at such time on such later date as may, from time to time, be fixed by the Company. Upon the due deposit of the specified number of Scurry and Rainbow shares for exchange, the Company will effect the exchange with respect to all duly deposited shares at such time as it may elect prior to the Expiration Date, and will after such first exchange effect further exchanges as additional Scurry and Rainbow shares are deposited prior to the Expiration Date. The effecting of any exchange is subject, however, to the satisfaction at the time of such exchange of the conditions of the Exchange Offer applicable to such exchange. The final delivery of Company stock pursuant to the Exchange Offer will be made as soon as practicable after the Expiration Date. The Company will give written notice of any extension of the Expiration Date to the Depositaries named below, and will mail notice thereof to Scurry and Rainbow shareholders of record or publish such notice in newspapers of general circulation in Calgary, Alberta; Toronto, Ontario; Cleveland, Ohio, and New York, New York.

No certificates for fractions of a share will be issued to shareholders of Rainbow in connection with the exchange. Fractional interests will be sold for the accounts of the shareholders, at substantially current market prices for the Company's Capital Stock after the Exchange Offer becomes effective, and the proceeds remitted to shareholders.

Method of Acceptance

Each holder of Scurry and Rainbow shares who desires to accept the Exchange Offer must, except as stated below, deposit his certificates representing such shares, properly endorsed and, if a transfer other than to the Company is involved, with the signature or endorsement guaranteed by a commercial bank or trust company having an office or correspondent in Calgary, Toronto, New York or Cleveland, or by a member firm of the Calgary, Toronto, New York, American, Midwest or Los Angeles Stock Exchanges, together with a properly executed Letter of Transmittal and Acceptance, at any of the Depositaries named below, before 4 P.M. Eastern Standard Time on the Expiration Date:

CROWN TRUST COMPANY
227 Eighth Avenue West
Calgary, Alberta, Canada

THE NATIONAL CITY BANK OF CLEVELAND
623 Euclid Avenue
Cleveland 1, Ohio, U. S. A.

CROWN TRUST COMPANY
302 Bay Street
Toronto, Ontario, Canada

EMPIRE TRUST COMPANY
120 Broadway
New York 5, New York, U. S. A.

A firm having membership in one of the stock exchanges named above or a commercial bank or trust company may accept the Exchange Offer, either as principal or as agent for a customer, without depositing the certificates, in which event the certificates are to be deposited after the exchange becomes effective within ten days after request therefor by the Depositary.

Scurry and Rainbow shareholders who are residents of Canada may, if they deposit their shares with Crown Trust Company, request the issuance of transferable Deposit Receipts representing their interest in the shares deposited and the shares of the Company which may be issued in exchange therefor.

Scurry and Rainbow shares will be deemed to be duly deposited when approved by the Company or its counsel, or upon the lapse of ten days after the certificates therefor are received by the Depositary without objection by the Company as to the validity of the endorsement and deposit. Scurry and Rainbow shares which are deposited may be withdrawn by written request received by the Depositary prior to the date on which the Exchange Offer is declared effective. In the event that the Exchange Offer is not accepted by the holders of at least the specified number of Scurry and of Rainbow shares, or if for any other reason the exchange is not completed, certificates which have been deposited will be returned.

Transfer Taxes

Stock transfer stamp taxes incident to the exchange will be paid by the Company where the certificates representing shares of the Company's Capital Stock are to be issued in the same name as that appearing on certificates representing Scurry or Rainbow shares deposited for exchange.

Conditions of Exchange Offer

In addition to the condition that the Exchange Offer be accepted prior to the Expiration Date by the holders of 51% of the shares of Scurry and of 80% of the shares of Rainbow as specified above, the Exchange Offer is subject to the satisfaction of the following further conditions set forth in the Amalgamation Agreement between Scurry and Rainbow hereinafter referred to.

The Company is not obligated to continue or complete the Exchange Offer while any of the following conditions exists:

(a) A stop order or similar order of the Securities and Exchange Commission suspending or intended to suspend the effectiveness of the Registration Statement of which this Prospectus is a part shall be in effect, or proceedings for such or any similar purpose are threatened or pending.

(b) Any litigation or proceeding is threatened or pending for the purpose of enjoining Scurry or Rainbow or the Company from consummating the Amalgamation Agreement or the Exchange Offer, or as a result of which Scurry or Rainbow or the Company might sustain substantial damages if the Agreement or the Exchange Offer were consummated, or which might materially affect the Company's right to retain the Capital Stock of Scurry or of Rainbow to be acquired by it pursuant to the Exchange Offer, or to continue the operation of the property and business of Scurry or of Rainbow if and when such Capital Stock is acquired by the Company.

(c) The legality and sufficiency of the proceedings and other related matters covered by the Amalgamation Agreement shall not have been approved (insofar as appropriate at

such time) by Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones and Messrs. Porter, Allen & MacKimmie as to Canadian law, and by Messrs. Jones, Day, Cockley & Reavis as to United States law.

Scurry may terminate the Amalgamation Agreement and require the termination by the Company of the Exchange Offer if, prior to the Closing Date (the earlier of the Expiration Date or the time when the Company first issues any of its shares to a shareholder of Scurry or of Rainbow pursuant to the Exchange Offer), the working capital of Rainbow is not at least \$500,000 in excess of its funded debt. Rainbow may terminate the Amalgamation Agreement and require the termination by the Company of the Exchange Offer if, prior to the Closing Date, the funded debt of Scurry is in excess of Scurry's working capital by more than \$380,000.

For purposes of the foregoing working capital is defined to include current assets, investments, office furniture and equipment, automotive equipment and certain other specified items at book value (marketable securities at market value), less current liabilities, and funded debt means all other indebtedness. In addition, working capital includes any substantial expenditures made since September 30, 1953 for the acquisition of properties or for the drilling of wells or the exploration, testing or development of properties, with the approval of the other party. At the date hereof the respective working capital requirements are satisfied as to both Scurry and Rainbow.

Either Scurry or Rainbow may terminate the Amalgamation Agreement and require the termination by the Company of the Exchange Offer if at the time (i) the representations as to the other set forth in the Agreement are not substantially correct, or (ii) the other has not complied with its agreements contained therein or (iii) the other shall not have furnished immediately prior to the Closing Date a certificate signed by its President and its Treasurer to the effect that to the best of their knowledge and belief there is no litigation pending or threatened as described in paragraph (b) above and that the above-mentioned representations as to it are as of the Closing Date substantially correct.

In general, the representations of Scurry and of Rainbow referred to above concern their corporate organization and outstanding shares, financial condition, debts, litigation and existing leases and contracts, and contemplate a continuance of the position of each as at September 30, 1953 subject to changes occurring in the ordinary course of business and certain other changes permitted under or contemplated by the Agreement or which may be approved by the other party. The various agreements of Scurry and of Rainbow are principally concerned with the organization of the Company and the making of this Exchange Offer.

Miscellaneous

The Capital Stock of Scurry is listed on the Calgary, Toronto, American and Los Angeles Stock Exchanges. The shares of the Company are listed on the Calgary, Toronto and American Stock Exchanges subject to the filing of documents and evidence of satisfactory distribution.

The Amalgamation Agreement between Scurry and Rainbow entered into on January 23, 1954, as amended February 9, 1954, provides for an amalgamation of the two companies

through the organization of the Company and its acquisition of the shares of the two companies pursuant to this Exchange Offer. Rainbow has heretofore conducted operations in the United States through a wholly-owned Ohio subsidiary, Rainbow Production Corporation. As contemplated by the Amalgamation Agreement, the shares of such subsidiary have been distributed to the shareholders of Rainbow by the delivery thereof to The National City Bank of Cleveland, Agent, which is distributing the certificates therefor to Rainbow's shareholders; accordingly, the Company will acquire no interest in the shares or the United States properties of the subsidiary. Rainbow Production Corporation will continue its operations in the United States and it is contemplated that its officers and Directors will include some of the officers and Directors of the Company.

The Company may pay certain amounts by way of reimbursement of expenses, fees or commissions in order to aid in bringing about exchanges pursuant to this Exchange Offer. The Company has retained Georgeson & Co., 52 Wall Street, New York, New York, at a fee of \$3,000 plus expenses estimated at not over \$5,000, to solicit acceptances of the Exchange Offer. Georgeson & Co. may be deemed an underwriter within the meaning of the Securities Act of 1933. The Company has agreed to indemnify Georgeson & Co. against any liability which that firm may incur by reason of omissions or misstatements in the Prospectus or Registration Statement.

Other expenses of the Company in connection with this offering will be principally for stock issue and transfer taxes, registration and securities laws qualification fees, stock exchange listings, and legal, accounting, geological, printing, transfer agent, registrar and depositary expenses.

CAPITALIZATION

The following tables show the capitalization of the Company as of March 5, 1954, and as adjusted to give effect to the issue of all the 4,700,416 shares of Capital Stock of the Company offered by this Prospectus in exchange for the outstanding Scurry and Rainbow shares, and also the capitalization of Scurry and Rainbow as of March 5, 1954:

The Company

<u>Title of Issue</u>	<u>Outstanding on March 5, 1954</u>	<u>As Adjusted</u>
Capital Stock (50¢ par value) (10,000,000 shares authorized)	10,000 shs.(1) (2)	4,710,416 shs.(2)

(1) Scurry and Rainbow each has subscribed for 5,000 shares and paid in one-half of the minimum subscription, fixed at \$10,000 in the Amalgamation Agreement, and each has agreed to loan to the Company one-half of the expenses of the Company in connection with such Agreement and the Exchange Offer.

(2) The Company has granted to three employees who are officers of Rainbow options to purchase an aggregate of 190,000 shares of the Company's Capital Stock (the first one-half at \$1.45 per share and the balance at \$1.70 per share) in connection with the termination of their existing options to purchase Rainbow shares. See "Management" herein.

Scurry

<u>Title of Issue</u>	<u>Outstanding on March 5, 1954</u>
Capital Stock (50¢ par value) (5,000,000 shares authorized)	2,670,000 shs. (1)
5% Convertible Sinking Fund Debentures due September 15, 1964	\$1,745,000

- (1) An additional 523,500 shares are reserved for possible issuance upon the conversion of Debentures.

Rainbow

<u>Title of Issue</u>	<u>Outstanding on March 5, 1954</u>
Capital Stock (\$2 par value) (1) (1,000,000 shares authorized)	534,320 shs. (2) (3)

- (1) At a meeting held on March 1, 1954 the shareholders of Rainbow authorized an alteration of the Memorandum of Association reducing the authorized share capital from \$5,000,000 divided into 1,000,000 shares of \$5 par value each to \$2,000,000 divided into 1,000,000 shares of \$2 par value each, such reduction to be effected by (a) distributing ratably to holders of issued Rainbow shares the shares of Rainbow Production Corporation owned by Rainbow, and (b) adding to the capital surplus of Rainbow the amount by which the reduction in the nominal or par value of such issued Rainbow shares exceeds Rainbow's book value of the shares of Rainbow Production Corporation so distributed. Necessary proceedings to make such action effective under Alberta law have been taken.
- (2) All of such shares are fully paid except for 6,000 shares on which the amount of \$24,216 remains unpaid.
- (3) Existing options held by employees of Rainbow to purchase shares of its Capital Stock have been modified so as to terminate, effective upon consummation of the Exchange Offer. See "Management" herein.

SUMMARIES OF OPERATING RESULTS

The following condensed summaries of operating results should be read in conjunction with the more detailed financial statements and related notes included elsewhere in this Prospectus. The summary for Scurry Oils Limited has been reviewed by Harvey, Morrison & Co., chartered accountants, insofar as it relates to the period June 3, 1950 through September 30, 1953 and their opinion thereon appears elsewhere in the Prospectus. The summary for Rainbow Oil Limited has been reviewed by Price Waterhouse & Co., independent public accountants, insofar as it relates to the period December 5, 1950 through September 30, 1953, and their opinion thereon appears elsewhere in the Prospectus. The unaudited summaries for the three months ended December 31, 1953 include for each company all adjustments necessary to a fair statement of its operating results for such period.

Scurry

	June 3, 1950 to September 30, 1950	Year ended September 30,			Unaudited 3 months ended December 31, 1953
		1951	1952	1953	
Production income, less royalties	\$ —	\$ 75,749	\$ 215,040	\$ 406,714	\$118,346
Crude oil production expenses	\$ —	\$ 11,194	\$ 69,291	\$ 113,566	\$ 20,951
Depreciation, depletion and amortization	—	42,563	141,690	144,934	36,823
General and administrative expenses	65	22,510	106,415	155,443	36,319
Less—Charged to others	—	(7,295)	(74,131)	(117,100)	(30,942)
Exploration expense, dry holes, etc.	—	36,692	346,407*	306,420	27,393
Interest expense	—	—	—	106,468	24,978
Non-operating income	(2,500)	(21,003)	(31,253)	(66,611)	(24,775)
	<u>\$(2,435)</u>	<u>\$ 84,661</u>	<u>\$ 558,419</u>	<u>\$ 643,120</u>	<u>\$ 90,747</u>
(Loss) profit for the period	<u>\$ 2,435</u>	<u>\$ (8,912)</u>	<u>\$(343,379)</u>	<u>\$(236,406)</u>	<u>\$ 27,599</u>

The above summary reflects Scurry's accounting practice of charging exploration costs and lease rentals on unproven properties to profit and loss. If Scurry had followed the practice of capitalizing these expenditures in the property accounts (which is Rainbow's practice), the adjusted operating results would have been as follows:

(Loss) profit for the period, as above	\$ (8,912)	\$(343,379)	\$(236,406)	\$27,599
Less—Exploration costs and lease rentals on unproven properties	9,822	151,960	166,958	26,836
Adjusted (loss) profit for the period	<u>\$ 910</u>	<u>\$(191,419)</u>	<u>\$(69,448)</u>	<u>\$54,435</u>

Rainbow

	December 5, 1950 to September 30, 1951	Year ended September 30		Unaudited 3 months ended December 31, 1953
		1952	1953	
Production income, less royalties	\$92,849	\$ 191,712	\$ 210,300	\$ 70,883
Crude oil production expenses	\$11,924	\$ 42,384	\$ 58,442	\$ 17,721
Depreciation, depletion and amortization	32,959	109,207	118,218	30,000
General and administrative expenses	20,664	93,496	113,549	30,278
Cost of dry holes and abandoned leases	—	89,844	107,424	72,036*
Interest expense	13,508	23,060	—	—
Non-operating income	—	(5,820)	(23,245)	(11,401)
	<u>\$79,055</u>	<u>\$ 352,171</u>	<u>\$ 374,388</u>	<u>\$ 138,634</u>
(Loss) profit for the period, before deducting pro- vision below	\$13,794	\$(160,459)	\$(164,088)	\$ (67,751)
Provision for loss of unconsolidated subsidiary, Rainbow Production Corporation	—	—	62,656	46,946
(Loss) profit for the period	<u>\$13,794</u>	<u>\$(160,459)</u>	<u>\$(226,744)</u>	<u>\$(114,697)</u>

*Rainbow's cost of dry holes and abandoned leases for the three months ended December 31, 1953 includes a charge of \$38,040 for lease cost in the Drumheller area; Scurry wrote off its comparable expenditure in the property in the year ended September 30, 1952.

PRICE RANGES OF SHARES OF SCURRY AND OF RAINBOW

Market quotations for the Capital Stock of Scurry in Canadian and United States dollars and for the Capital Stock of Rainbow in United States dollars are set forth below:

		Scurry				Rainbow			
		Canada(1)		United States(2)		Prices Asked		Bid Prices	
		High	Low	High	Low	High	Low	High	Low
1952	1st Quarter	\$3.85	\$1.50	—	—	—	—	—	—
	2nd Quarter	5.15	3.65	\$5	\$4	\$8 $\frac{1}{8}$	\$7 $\frac{3}{8}$	\$7 $\frac{7}{8}$	\$7
	3rd Quarter	4.15	2.82	4 $\frac{3}{16}$	2 $\frac{15}{16}$	8	7 $\frac{1}{4}$	7 $\frac{5}{8}$	7
	4th Quarter	2.95	2.00	3 $\frac{1}{16}$	2 $\frac{1}{8}$	7 $\frac{3}{8}$	5 $\frac{7}{8}$	7	5 $\frac{1}{4}$
1953	1st Quarter	2.82	2.12	2 $\frac{15}{16}$	2 $\frac{3}{8}$	7 $\frac{3}{4}$	6 $\frac{3}{8}$	7 $\frac{1}{4}$	6
	2nd Quarter	2.49	1.54	2 $\frac{3}{8}$	1 $\frac{1}{2}$	7 $\frac{1}{4}$	5 $\frac{3}{4}$	6 $\frac{1}{4}$	5 $\frac{3}{8}$
	3rd Quarter	1.85	1.00	1 $\frac{15}{16}$	1 $\frac{1}{16}$	5 $\frac{7}{8}$	4 $\frac{7}{8}$	5 $\frac{1}{4}$	4 $\frac{1}{4}$
	4th Quarter	1.59	1.05	1 $\frac{5}{8}$	1 $\frac{1}{8}$	5 $\frac{1}{2}$	4 $\frac{3}{8}$	5	4 $\frac{1}{8}$

(1) The quotations have been summarized from information furnished by The Records Department of the Toronto Stock Exchange.

(2) There was no public United States market for Scurry shares during the first quarter of 1952. The market ranges for subsequent periods have been summarized from sales on the American Stock Exchange as published in the Bank and Quotation Record.

(3) The Rainbow quotations represent the range of high and low asked and bid prices published by National Quotation Bureau, Inc. in the Monthly Stock Summary. The Rainbow shares are not listed on a stock exchange and had no public market prior to the second quarter of 1952.

On February 26, 1954, the closing quotations of the Scurry shares were:

Toronto Stock Exchange — \$1.15 Bid and \$1.17 Asked
American Stock Exchange — \$1 $\frac{3}{16}$ Bid and \$1 $\frac{1}{4}$ Asked

On the same date the Rainbow shares were quoted by The National Quotation Bureau, Inc. at \$5 $\frac{3}{8}$ Bid and \$5 $\frac{3}{4}$ Asked.

HISTORY AND BUSINESS

The Company

The Company is an Alberta corporation with its principal office in Calgary, Alberta and with an executive office in Cleveland, Ohio. It was incorporated on February 5, 1954 under the Companies Act of Alberta, pursuant to an Amalgamation Agreement between Scurry and Rainbow, entered into on January 23, 1954, providing for their amalgamation to be effected through the organization of the Company and its acquisition of shares of the Capital Stocks of the two corporations. In accordance with such Agreement Scurry and Rainbow have caused the Company to be organized and to make the Exchange Offer to shareholders of Scurry and of Rainbow. Upon the consummation of the Exchange Offer Scurry and Rainbow will be subsidiaries of which the Company will own not less than 51% of the voting stock of Scurry

and not less than 80% of the voting stock of Rainbow. It is contemplated that the three corporations will have executive officers and Directors in common. The Company intends to continue the business and operations of Scurry and of Rainbow, as hereinafter described, and it may engage directly in similar or related activities.

Scurry and Rainbow

General

Scurry is an Alberta corporation with its principal office in Calgary, Alberta. It was incorporated on June 3, 1950 under the Companies Act of Alberta as a private company, and on September 15, 1950 it became a public company under Alberta law.

Rainbow is an Alberta corporation with its registered office in Calgary, Alberta and with executive offices in Cleveland, Ohio. It was incorporated as a private company under The Companies Act of Alberta on March 30, 1951 under the name Rainbow Oil of Alberta Limited. On February 29, 1952 it acquired by amalgamation all of the assets of Rainbow Oil Limited, an Alberta corporation which had been organized on December 5, 1950 by certain of the shareholders of Rainbow Oil of Alberta Limited (herein referred to as the predecessor company). At that time Rainbow's name was changed to Rainbow Oil Limited and it became a public company under Alberta law.

Scurry and Rainbow are engaged primarily in the acquisition, exploration and development of oil and gas properties in Alberta, the production and sale of oil therefrom and the acquisition and disposition of oil and natural gas rights. Scurry performs services for its participants or partner companies, including Rainbow, such as supervising the drilling and carrying on the operation of jointly owned oil wells, organizing exploration programs and tendering bids at Crown auctions. Scurry and Rainbow intend to continue these businesses, primarily in Alberta, although they may also acquire properties and conduct operations in other areas in Western Canada.

It has been the policy of the managements of Scurry and of Rainbow and its predecessor company to acquire interests in oil and gas properties in association with other companies. Most of Scurry's and Rainbow's Canadian properties have been acquired under the guidance of Link & Nauss Ltd., geological consultants, and are being operated by Scurry. Both Scurry and Link & Nauss Ltd. have maintained staffs of experienced employees, but in view of this method of operation Rainbow has had only a limited number of employees. Link & Nauss Ltd. also served as managers for Scurry under contract until December 31, 1953, and Dr. A. W. Nauss has been Vice President and Managing Director of Scurry since October 24, 1952. However, in January, 1954 Dr. Nauss retired from participation in the affairs of Link & Nauss Ltd. and became a full time employee of Scurry. Link, Downing & Cooke, Ltd., successor firm in which Dr. Nauss has no interest, will continue as geological consultants for the Company, Scurry, Rainbow and other companies.

Wells on properties in which Scurry and Rainbow have interests have been drilled by independent drilling contractors, usually with Scurry in the capacity of operator arranging contracts, supervising drilling, and conducting field operations. With the exception of one productive property (Armena), wells operated by Scurry have been only on acreage in which

it has an interest or in which an interest was gained by virtue of drilling. In a few instances, Scurry and Rainbow have interests in properties operated by companies other than Scurry, and many of the undeveloped properties in which they have interests are being explored under the management of other companies.

As hereinbefore stated, Rainbow in the past has conducted operations in the United States through a wholly owned Ohio subsidiary, Rainbow Production Corporation, the shares of which have been distributed to the shareholders of Rainbow.

At the present time Scurry and Rainbow have joint interests in 10 producing oil leases having 22 producing wells, and one gas property on which a well has been drilled but is now capped pending the development of a market outlet. Scurry also has interests in four additional producing oil leases having nine producing wells, in which Rainbow has no interests; and Rainbow has an interest in one additional producing oil lease having four wells, in which Scurry has no interest although it operates the property. During the calendar year 1953 Scurry added one producing oil well while Rainbow added four producing oil wells and the two companies abandoned one well.

The following table shows the number of productive oil wells drilled by Scurry and Rainbow during each of their fiscal years ending September 30, 1951, 1952 and 1953, together with the number of dry holes drilled during this period:

Well Status	Year Ending September 30, 1951			Year Ending September 30, 1952			Year Ending September 30, 1953		
	Scurry	Rainbow	Combined	Scurry	Rainbow	Combined	Scurry	Rainbow	Combined
Number of Productive Oil Wells drilled during Year	11	11	—	25*	9**	—	1	1	—
Net Productive Oil Wells Accruing to Company during Year—Based on % interest of above	3.362	4.142	7.50	10.08	2.10	12.18	.175	.10	.275
Number of Dry Holes Drilled During Year	3	0	—	7	4	—	0	0***	—
Company Net Dry Holes During Year—Based on % of above	.225	0	.225	1.67	1.30	2.97	0	.10	.10

* Counting 6 dual zone wells as 12 (Malmo). One of the 25 wells later abandoned because of casing collapse and one more (D-3 zone) because of high water ratio.

** One of 9 wells later abandoned because of casing collapse.

*** One well drilling at September 30, 1953 came in as a dry hole subsequently.

One productive gas well was drilled during this period, in the year ending September 30, 1953, in which Scurry and Rainbow each had a 25% interest.

Scurry and Rainbow also have interests in common in extensive undeveloped acreage and each also has interests in substantial undeveloped acreage in which the other has no interest. Most of this acreage is now being explored for the discovery of oil, either by Scurry or Rainbow or both, in cooperation with other companies having interests therein, or by other companies to which the acreage has been farmed out.

The properties of Scurry and Rainbow are described further under the heading "Properties" and "Engineer's and Geologist's Report."

Marketing

Scurry and Rainbow operate no refineries and sell their crude oil directly at the wells at posted field prices in the particular area. The major purchasers of crude oil generally set the price level in a particular field. At the present time the major purchasers of crude oil in Alberta are Imperial Oil Limited, The British American Oil Company Limited, Gulf Oil Company and McColl-Frontenac Oil Company Limited.

Both the present crude oil production capacity in Alberta and the existing transportation facilities available to transport Alberta crude oil are substantially in excess of the present rate of production. Both refining and transportation facilities available for Alberta production have been increased in recent years and are in the process of being expanded at the present time. The Interprovincial pipe line from Edmonton, Alberta to Superior, Wisconsin has increased its capacity, and its eastward extension to Sarnia, Ontario, which is completed, will help to stabilize production through the winter and early spring by making transportation independent of the limited Great Lakes navigation season. During 1953 a new oil pipe line from Alberta to the Pacific coast of Canada was completed by Trans Mountain Oil Pipe Line Company. The completion of this pipe line has increased the outlet for Canadian crude oil, although to date not as much as anticipated. Further substantial increases cannot be anticipated until the completion of new refineries now under construction in British Columbia and the northwestern United States.

Despite the increase in production and markets permitted by recent developments, production of crude oil in Alberta is still subject to regulation by the Petroleum and Natural Gas Conservation Board of Alberta, as outlined under "Regulation", and, until additional marketing outlets are available for western Canadian crude oil, additional development of production capacity may result in lower field prices or reduced well allowables or both.

Competition

The oil industry is competitive among companies engaged therein and, as an industry, also competes with other industries in supplying the energy and fuel needs of commerce, industry and individuals. At the present time most major United States oil companies or their affiliates are active in western Canada and can be classified as major oil companies, together with the three major Canadian companies. In addition there are several hundred independent oil companies engaged in exploration and production in that area. Competition to obtain new sources of crude oil and natural gas in western Canada is extremely active. Both Scurry and Rainbow are among the smaller oil producing companies in Canada.

The Company has made no attempt herein to predict the future trend of governmental regulation or of its, Scurry's or Rainbow's business or results of exploration, drilling and other operations, or to forecast the effect thereon of future events, developments or changes.

PROPERTIES

General

All of the properties of Scurry and of Rainbow are located in Alberta except for a small amount of undeveloped acreage held by Scurry in Saskatchewan. Their interests in producing properties are in leases of Crown rights, except two freehold quarter sections at Malmo. Interests in unproven properties are in Crown leases, freehold leases and Crown reservations. In most instances the interests of Scurry and of Rainbow are held in conjunction with others.

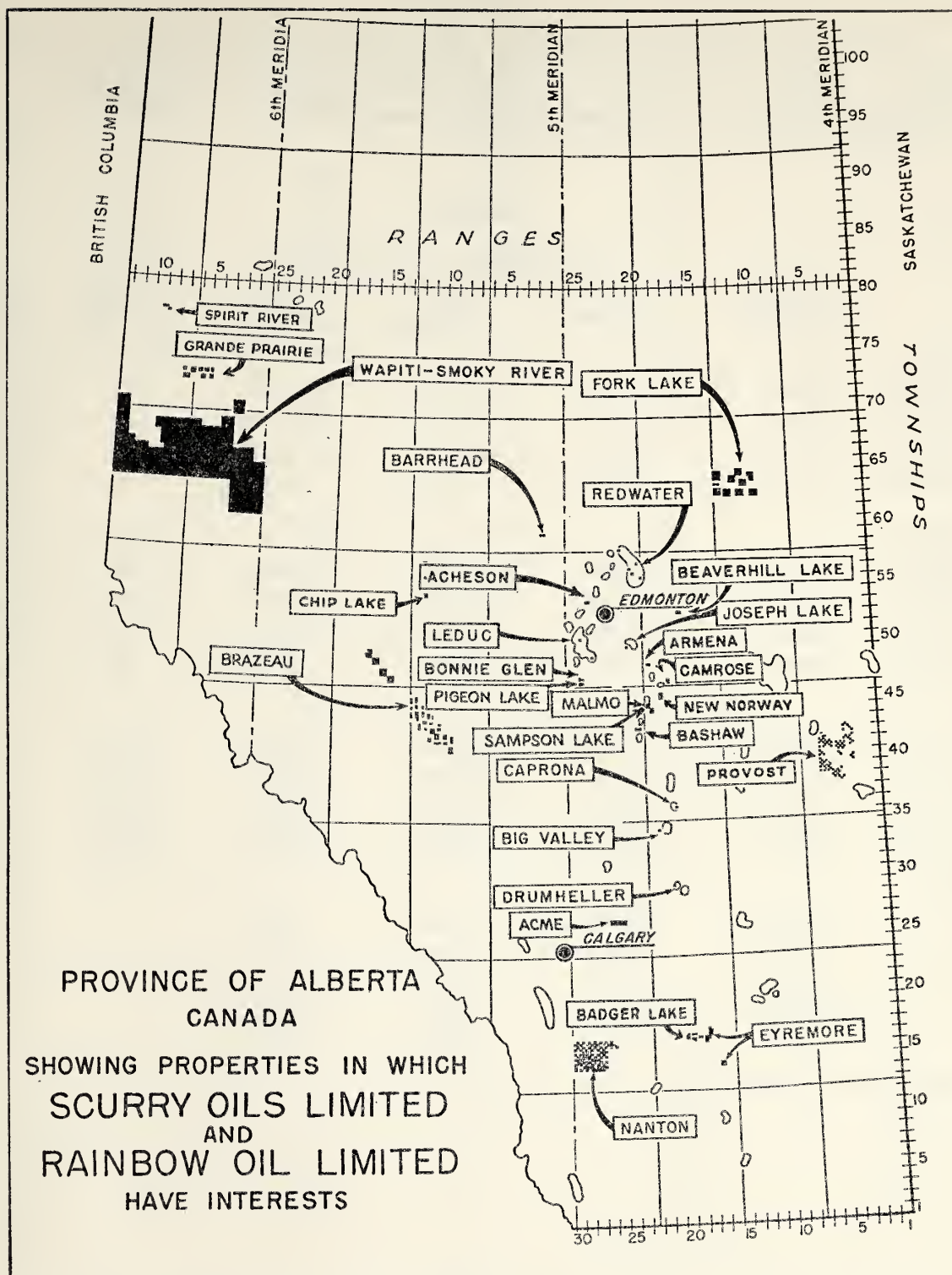
Producing Properties

The following tabulation shows the interests of Scurry and of Rainbow in producing properties:

Field	Total acreage in which interest is held	Producing wells in which interest is held	Percentage of working interest			Estimated reserves in barrels at December 31, 1953.*		
			Scurry	Rainbow	Combined	Scurry	Rainbow	Combined
Redwater								
2 Qu. sections	320	6	35.2	48.2	83.4	437,000	498,100	935,100
3 Qu. sections	476	5	25	25	50			
1 Qu. section	160	1	25	—	25			
Leduc								
1 Qu. section	160	2	45	40	85	37,900	33,600	71,500
Caprona								
1 Qu. section	160	2	26	15	41	266,700	153,900	420,600
Camrose								
1 Section	636	3	10	25	35	25,800	64,500	90,300
1 Qu. section	160	3	10	25	35			
Bonnie Glen								
1 Qu. section	160	1	17½	10	27½	89,200	50,900	140,100
Malmo**								
1 Qu. section	160	3	50	—	50	1,423,700	—	1,423,700
1 Qu. section	161	4	50	—	50			
1 Qu. section	160	1	100	—	100			
Armena								
1 Qu. section	160	4	—	20	20	—	88,600	88,600
						2,280,300	889,600	3,169,900

*The above reserve estimates to the nearest 100 barrels, after average Crown and landowners' royalties, are taken from the "Engineer's and Geologist's Report." Reference is made to "Management" herein for information regarding certain overriding royalties to which Rainbow's properties are subject.

**Five of eight Malmo wells are dual zone producers.



The following tabulations set forth the approximate quarterly production (in barrels) of crude oil from the wells in which Scurry or Rainbow have interests for the period from January 1, 1951 through December 31, 1953, showing approximate total production and net production applicable to the interests of each (including Rainbow's predecessor company) after deducting Crown and overriding royalties:

SCURRY

	Total gross production of wells	Share applicable to Scurry interests			Number of wells operating*	“Net” wells operating
		gross production	less royalties	net production		
(1951)						
1st Quarter	6,878	2,627	230	2,397	3	1.06
2nd Quarter	35,424	13,532	1,649	11,883	6	2.11
3rd Quarter	53,264	18,651	2,862	15,789	10	3.11
4th Quarter	55,187	17,820	2,319	15,501	12	3.81
(1952)						
1st Quarter	49,737	16,526	1,966	14,560	15	5.71
2nd Quarter	70,733	25,707	3,336	22,371	21	8.47
3rd Quarter	109,629	40,056	5,157	34,899	33	13.37
4th Quarter	139,454	54,772	6,879	47,893	35	13.57
(1953)						
1st Quarter	99,266	38,853	4,638	34,215	29	10.47
2nd Quarter	124,792	46,260	5,680	40,580	34	12.90
3rd Quarter	155,790	52,440	6,929	45,511	36	13.25
4th Quarter	149,482	51,446	6,617	44,829	36	13.25
Totals						
1951	150,753	52,630	7,060	45,570		
1952	369,553	137,061	17,338	119,713		
1953	529,330	189,999	23,864	165,135		
	1,049,636	378,690	48,262	330,428		

*Including dual zone Malmo producers as two wells each.

RAINBOW

	Total gross production of wells	Share applicable to Rainbow interests			Number of wells operating	"Net" wells operating
		gross production	less royalties	net production		
(1951)						
1st Quarter	6,877	3,315	389	2,926	3	1.45
2nd Quarter	35,424	17,074	2,593	14,481	6	2.89
3rd Quarter	53,265	24,324	4,486	19,838	8	3.39
4th Quarter	55,187	22,553	3,703	18,850	12	4.54
(1952)						
1st Quarter	45,390	17,672	2,629	15,043	14	5.34
2nd Quarter	58,165	24,343	3,971	20,372	15	5.49
3rd Quarter	76,273	27,595	4,695	22,900	22	6.69
4th Quarter	72,837	25,512	4,107	21,405	21	6.49
(1953)						
1st Quarter	56,526	18,890	2,787	16,103	22	6.74
2nd Quarter	80,300	25,139	3,952	21,187	23	6.84
3rd Quarter	112,584	30,642	5,193	25,449	24	7.04
4th Quarter	112,651	31,036	5,173	25,863	24	7.04
Totals						
1951	150,753	67,266	11,171	56,095		
1952	252,665	95,122	15,402	79,720		
1953	362,061	105,707	17,105	88,602		
	765,479	268,095	43,678	224,417		

Undeveloped Properties

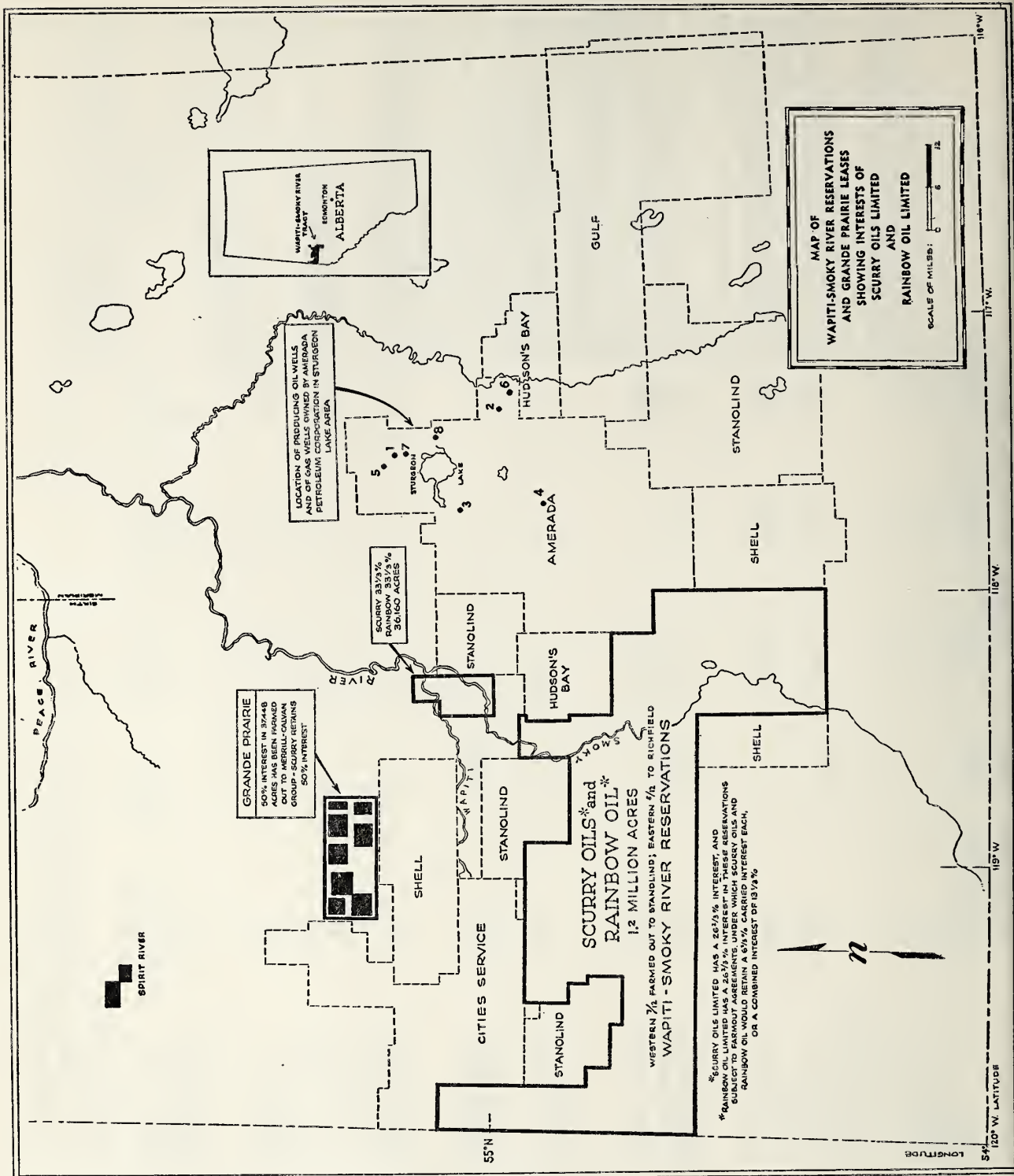
The following tabulation shows the interests of Scurry and of Rainbow in properties which are not now in production:

Area*	Total acreage in which interest is held**	Number of wells drilled	Percentage of working interest		Remarks
			Scurry	Rainbow	
Acheson 1 Qu. section	161	0	10	25	35 Offsets 1 producing Cretaceous oil well and 1 dry hole.
Barrhead Half section	322	0	33½	33½	66%
Bashaw 3 Qu. sections	480	0	10	25	35 About 2 to 3 miles east of D-3 producing oil wells.
Big Valley 1 Qu. section	159	0	27	8	35 No drilling planned. 2 dry holes drilled by farmeers on contiguous quarter sections.
Brazeau Crown leases	92,480	1 (drilling)	10	10	20 1 test well now drilling and a second to be drilled. See discussion below.
Crown leases	24,000	0	22	22	44 Federated and British American have option to drill a test well, which, if exercised, would reduce the combined working interest to 22%. Subject to 2½% overriding royalty. See discussion below.
Drumheller 1 Qu. section	161	1 (dry)	45	40	85 No further drilling planned.
1 Half section	320	1 (dry)	32	—	32 No further drilling planned.
Freehold Lease	160	0	3½	3½	6% Within 2 miles of 1 gas well and 1 dry hole.
Eyremore Crown Leases	5,280	0	33½	33½	66% 1 mile east of Badger Lake area referred to below.
Fork Lake Crown Leases	46,971	1 (gas)	25	25	50 This gas discovery well is capped pending a market outlet.
Joseph Lake Freehold Lease	143	0	16%	16%	33% Subject to 2½% overriding royalty.
Nanton Crown Leases	23,220	0	33½	33½	66%

Area*	Total acreage in which interest is held**	Number of wells drilled	Percentage of working interest			Remarks
			Scurry	Rainbow	Combined	
Provost						
Crown Leases	48,810	6	33½	33½	66%	These wells were low-cost structure test holes (slim holes), and it is proposed to retain 11,551 acres of the total 48,800.
Wapiti-Smoky River						
Crown						
Reservations	1,178,722	0	26%	26%	53½	These reservations (except for 36,160 acres which are subject to 1% overriding royalty) are under farm-out options to Stanolind and Richfield which, if exercised, would reduce combined interest to 13½% carried interest. See discussion below.
Crown						
Reservation	36,160	0	33%	33½	66%	
Badger Lake						
13.25 sections	8,480	0	100	—	100	Part of this acreage is to be pooled with similar acreage held by Calvan and Anglo-Canadian; each company will have a ½ interest in the total acreage. Scheduled for drilling.
4 Qu. sections	640	0	33½	—	33½	
Chip Lake						
4 Qu. sections	640	0	100	—	100	About 22 miles northwest of most north-westerly Pembina production.
Grande Prairie						
58.5 sections	37,448	1 (dry)	50	—	50	A 50% interest in this acreage has been farmed out to Merrill-Calvan group for a drilling program.
Malmö						
1 Qu. section	161	0	64	—	64	Offset diagonally by a dry hole.
New Norway						
1 Qu. section	160	0	25	—	25	Scheduled for drilling.
1 Qu. section	160	0	75	—	75	Scheduled for drilling.
Acme						
12 sections	7,680	1 (dry)	—	10	10	This well had a non-commercial oil show in the D-3; it has not completely disproved the acreage.
Beaverhill Lake						
Half section	320	0	—	25	25	
Saskatchewan						
9 Qu. sections (Freehold leases)	1,436.52	0	50	—	50	This acreage comprises scattered quarter sections in the southeastern part of Saskatchewan.

*All in Alberta except Saskatchewan acreage.

**All interests are Crown leases except as noted.



Many of the foregoing undeveloped properties were acquired through the Scurry-Banff-Rainbow Leasehold Syndicate organized in early 1952, with Scurry, Rainbow and Banff Oil Ltd. as equal participants, for the acquisition of oil and natural gas rights in unproven acreage in various sections of Alberta with a view to their disposition (without substantial exploration expenditures) on terms whereby the Syndicate members would retain a royalty or working interest in any oil or gas which might be discovered. Most of such properties have now been farmed out or otherwise disposed of, and the Syndicate is no longer acquiring additional properties.

The 1,179,000 acres of reservations in the Wapiti-Smoky River area owned as to 80% by the Scurry-Banff-Rainbow Leasehold Syndicate are located south of Grande Prairie in west central Alberta. This acreage adjoins and is southwest of Amerada Petroleum Corporation's reservations in the Sturgeon Lake area, on which Amerada completed a discovery oil well in October, 1952 and additional successful oil and gas wells more recently. Of the 1,179,000 acres, approximately 700,000 acres have been farmed out to Stanolind Oil and Gas Company, subsidiary of Standard Oil Company (Indiana), and approximately 500,000 acres to Richfield Oil Corporation. Under the farm-out agreements Stanolind and Richfield, respectively, are obligated to carry on sufficient exploratory work to maintain the reservations in good standing until such time as they may determine to surrender their rights back to the Leasehold Syndicate and its associates. To earn their interests in the reservations, each must drill test wells to a depth of 10,000 feet or to such lesser depth as may result in commercial production. Upon such test drilling, the Syndicate and its associates would have a 25% carried interest in the reservations or in the leases into which they might be converted ($6\frac{2}{3}\%$ interest each for Scurry and Rainbow). Thus in the event of the discovery of oil or gas in commercial quantities on these reservations and the development thereof by Stanolind and Richfield, Scurry and Rainbow would each be entitled to $6\frac{2}{3}\%$ of the net proceeds of production after recovery therefrom of a proportionate share of the development costs, and in general $\frac{2}{3}\%$ each during such recovery, without any obligation themselves to provide any part of the funds for development work.

The remaining reservation of approximately 36,000 acres in the Wapiti-Smoky River area is now owned 100% by the members of the Leasehold Syndicate, subject to a 1% overriding royalty granted to prior owners of the 20% working interest therein in exchange for such working interest. This reservation was farmed out in 1952 to Shell Oil Company which did some preliminary exploratory work on the property and returned it to the Syndicate members, which now contemplate some further exploratory work thereon.

Scurry and Rainbow, together with Banff Oil Ltd. and Ponder Oils Ltd., have recently entered into agreements with Federated Petroleums Ltd. and The British American Oil Company Limited with respect to the exploration and testing of approximately 116,000 acres of Crown leases recently issued in conversion of reservations in the Brazeau area, in which interests were held by the Peco Syndicate of which Scurry, Rainbow, Banff and Ponder and an individual were members. Under these agreements the four corporate members of the Syndicate have provided funds for the drilling of an initial test well and each has a 10% working interest in about 46,000 acres of the leases with an option to acquire a similar interest in a second 46,000 acres upon their drilling a second test well. The Peco Syndicate

retains ownership of 24,000 acres of leases (22% each for Scurry and Rainbow), subject to the right of Federated Petroleum Ltd. and The British American Oil Company Limited to acquire a 50% working interest therein by themselves drilling a test well on such leases, in which event Scurry and Rainbow would each retain an 11% working interest. The first test well has been spudded in and drilling is now going forward.

Royalty Interests

The following tabulation shows the royalty interests held by Scurry. Rainbow has no such interests.

Area	Total acreage in which interest is held	Status of wells on property	Scurry's interest in production
Acheson	160	0	1%
Armena	160	4	2%
Bashaw	160	0	3 24/40%
	160	0	3 24/40%
	160	0	2 28/40%
	160	0	2 28/40%
	160	0	2 28/40%
	320	0	18/40% of 1%
Bonnie Glen	160	1	1%
Duhamel	480	0	2 1/2 %
Malmö	640	4*	1/4 of 1%
Pigeon Lake	480	10	1/2 of 1%
Samson Lake	320	0	1%
Spirit River	9,586	0	1%

* Two of the four wells are dual zone producers.

Miscellaneous

As hereinbefore indicated, Scurry and Rainbow have acquired interests in oil and gas properties largely in association with other companies. Such properties are operated under operating agreements, by Scurry in most cases but by operating companies other than Scurry in a few instances.

Such operating agreements generally provide that the operator will hold title to the leases in trust for the various participants in the joint venture. Each participant agrees to furnish such funds as may be required for initial drilling. Provision is made for relieving the participants from the obligation to engage in further drilling unless they so desire; in the event they do not participate they are not entitled to any portion of the production from the drilling, at least until after those who do participate recover two or more times their drilling costs. The operator is given the exclusive management and control of the operation of the properties, and is obligated to furnish the material, labor and services necessary for their proper development and operation. The operator is required to obtain the approval of the other participants before drilling wells not contemplated when the agreements were made

and before incurring individual expenditures in excess of specified amounts. Each participant is entitled to obtain in kind its share of the oil produced. In the absence of such allocation in kind, the operator is authorized to market the oil or gas produced, to account to the participants for their proper shares of the proceeds, and to charge each of them with the expenses allocable to his interest. Some of the agreements provide either that non-operators holding not less than specified percentages of the beneficial interest in the leases may on due notice remove the operator for the time being and appoint any other party in its stead, or that non-operators may obtain the position of operator in rotation if they so elect.

Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones have examined all reservations, leases, declarations of trust, joint interest operating agreements and other agreements pursuant to which Scurry or Rainbow as the case may be has acquired or may acquire interests and rights in petroleum and/or natural gas properties, including reservations, in Alberta, as syndicate members or otherwise. However, no examination of titles to the properties themselves has been made for purposes of this Prospectus. It is the opinion of such counsel that, insofar as matters of title are concerned, the manner in which the respective corporation's interests and rights in petroleum and natural gas properties, including reservations, in Alberta have been acquired is sound and in accordance with established methods employed in Alberta by prudent petroleum and natural gas companies, and that the aforesaid policy should result in good and sufficient beneficial ownership by Scurry or Rainbow or the syndicate, as the case may be, of the interests and rights claimed.

ENGINEER'S AND GEOLOGIST'S REPORT

Link, Downing & Cooke Ltd., geological consultants to the Company, have reported to it under date of February 8, 1954, supplemented under date of February 25, 1954 and March 5, 1954, as follows:

"Summary

Scurry Oils Limited and Rainbow Oil Limited have varying interests in a total of 1,530,653.5 acres of land located in Western Canada. The combined total net interest held by these Companies in the lands is 783,795.2 acres.

The lands are distributed as follows:

Alberta		
Crown leases	292,926	acres
Freehold leases	8,303	"
Crown reservations	1,214,882	"
Royalties	13,106	"
Saskatchewan		
Freehold leases	1,436.5	acres
	1,530,653.5	acres

Portions of the Alberta lands contain oil and gas reserves. The Companies' combined total share of these is 3,280,000 barrels of recoverable oil and 527 MMcf. of recoverable gas, after royalty deductions. Of the oil reserves, 3,150,800 barrels or 96% are developed, and the remaining 130,000 barrels are undeveloped. All of the gas reserves are developed.

The following table indicates the fields and reservoirs where the oil and gas reserves are present, and the interests therein held by the Companies.

**SUMMARY TABLE
OF RECOVERABLE OIL AND GAS RESERVES
(AFTER ROYALTY DEDUCTIONS)**

		<u>Scurry Oils Limited Recoverable Reserves (barrels)</u>	<u>Rainbow Oil Limited Recoverable Reserves (barrels)</u>	<u>Combined Recoverable Reserves of Scurry Oils Limited and Rainbow Oil Limited</u>
DEVELOPED OIL RESERVES				
	(Net Interest)			
Redwater	D-3 Limestone	381,600	423,500	805,100
Camrose	Viking Sandstone	25,800	64,500	90,300
Leduc	D-2 Dolomite	37,900	33,600	71,500
Fenn—Caprona	D-2 Dolomite	266,700	153,900	420,600
Bonnie Glen	D-3 Dolomite	89,200	50,900	140,100
Armena	Viking Sandstone	—	88,600	88,600
Malmö	D-2 Dolomite	1,031,100	—	1,031,100
	D-3 Dolomite	392,600	—	392,600
	Total	<u>2,224,900</u>	<u>815,000</u>	<u>3,039,900</u>
UNDEVELOPED OIL RESERVES				
	(Net Interest)			
Redwater	D-3 Limestone	55,400	74,600	130,000
	Total	<u>55,400</u>	<u>74,600</u>	<u>130,000</u>
DEVELOPED OIL RESERVES				
	(Royalty Interest)			
Bonnie Glen	D-3 Dolomite	101,600		101,600
Armena	Viking Sandstone	6,400		6,400
Malmö	Poplar Sandstone	600		600
	D-2 Dolomite	900		900
	D-3 Dolomite	1,400		1,400
	Total	<u>110,900</u>		<u>110,900</u>
DEVELOPED GAS RESERVES				
	(Net Interest)			
Fork Lake	Basal Sandstone	262,500 Mcf	262,500 Mcf	527,000 Mcf
	Total	<u>262,500 Mcf</u>	<u>262,500 Mcf</u>	<u>527,000 Mcf</u>

	Scurry Oils Limited Recoverable Reserves (barrels)	Rainbow Oil Limited Recoverable Reserves (barrels)	Combined Recoverable Reserves of Scurry Oils Limited and Rainbow Oil Limited
GRAND TOTAL OIL RESERVES			
Developed Oil Reserves	2,224,900	815,000	3,039,900
Undeveloped Oil Reserves	55,400	74,600	130,000
Royalty Reserves	110,900	—	110,900
	<u>2,391,200</u>	<u>889,600</u>	<u>3,280,800</u>
GRAND TOTAL GAS RESERVES			
Developed Gas Reserves	262,500 Mcf	262,500 Mcf	527,000 Mcf
	<u>262,500 Mcf</u>	<u>262,500 Mcf</u>	<u>527,000 Mcf</u>

LINK, DOWNING & COOKE LTD.*

Theo. A. Link, P. Eng.
Alberta & Ontario

D. Y. Cooke, P. Eng.
Alberta"

* firm name currently undergoing registration in the Province of Alberta.

DESCRIPTION OF STOCK

Except as hereinafter stated, the principal terms and provisions of the Capital Stocks of the Company (50¢ par value), of Scurry (50¢ par value), and of Rainbow (\$2 par value), are substantially the same.

The Boards of Directors out of any assets legally available for the purpose may declare dividends on the Capital Stocks on an equal per share basis in such amounts as the Boards of Directors in their discretion shall determine. The holders of the Capital Stocks are entitled at all meetings of shareholders to one vote for each share held with respect to all matters upon which a shareholder requests a poll. Unless a poll is requested a resolution may be voted upon by a show of hands, in which case each shareholder present in person has one vote. Votes may be cast in person or by proxy (running to another shareholder in the case of Rainbow only). After the payment or the provision for payment of all obligations the holders of the Capital Stocks are entitled upon liquidation to receive their proportionate shares of the remaining assets. The shares carry no conversion or preemptive rights, are not subject to any redemption or sinking fund provisions, and are not liable to any further calls or assessments after payment of the agreed amount for the shares.

The Articles of Association of the Company provide that two members personally present and entitled to vote holding or representing by proxy at least 25% of the issued capital entitled to vote shall be a quorum. The Articles of Association of Scurry and of Rainbow contain similar quorum provisions except that in the case of Scurry three members must be personally present and in the case of Rainbow the two members personally present must hold or represent by proxy at least 1/20th part of the issued capital entitled to vote.

In the opinion of Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones and Messrs. Porter, Allen & MacKimmie the shares of Capital Stock heretofore issued by the Company are validly issued, fully paid and non-assessable, and the shares offered hereby, when issued pursuant to the Exchange Offer, will be validly issued, fully paid and non-assessable.

The Crown Trust Company at Calgary, Alberta and Toronto, Ontario, is the Canadian Transfer Agent and Registrar, and The National City Bank of Cleveland, Cleveland, Ohio and Empire Trust Company, New York, New York are the United States Transfer Agents and Registrars for the Company's Capital Stock.

Neither the Company nor Rainbow has outstanding any funded debt or senior securities. Scurry has outstanding \$1,745,000 principal amount of 5% Convertible Sinking Fund Debentures due 1964. These Debentures will not become obligations of the Company or of Rainbow as a result of the amalgamation, nor will they be otherwise affected by it. The Trust Deed securing the Debentures, which constitutes a specific charge on certain present and future assets of Scurry and a floating charge on all other present and future assets of Scurry, contains various provisions affecting Scurry and its Capital Stock, including the following:

- (1) A requirement that Scurry establish a sinking fund by paying to the Trustee on or before September 15 in each of the years 1953 to 1963, inclusive, the greater of (a) an amount sufficient to retire \$160,000 principal amount of Debentures or (b) an amount equivalent to 56¢ for each barrel (of 35 Imperial gallons) of liquid petroleum substances

produced, saved, recovered and marketed by Scurry during the 12 months' period ending on August 1 immediately preceding the date when the respective sinking fund payments become due. Scurry may anticipate sinking fund payments and is entitled to a credit against current and future sinking fund requirements in the principal amount of any payments into the sinking fund and also the principal amount of any Debentures purchased by Scurry and tendered to the Trustee, or redeemed by Scurry prior to maturity or converted into Capital Stock of Scurry.

(2) Provisions for redemption in whole or in part at any time at the election of Scurry and for redemption from sinking fund moneys, in either case with a premium of 4½% up to and including September 15, 1954 and thereafter at a diminishing premium until September 15, 1962, and thereafter at par.

(3) Provision for conversion of Debentures into Capital Stock of Scurry on the following basis for each \$1,000 principal amount: To and including September 15, 1954—300 shares (i.e., approximately \$3.33 per share); thereafter and to and including September 15, 1956—250 shares (i.e., \$4 per share); and thereafter and to and including September 15, 1958—200 shares (i.e., \$5 per share). Provision is made for adjusting the basis of conversion in case of changes in the number of outstanding shares of Capital Stock of Scurry.

(4) Numerous affirmative covenants including covenants against (a) application of any of its assets to redemption or acquisition of any Capital Stock of Scurry other than from proceeds of sale of Scurry's Capital Stock, (b) creating, issuing or assuming any additional mortgage, pledge, lien or charge by Scurry or a subsidiary ranking prior to or equally with the Trust Deed, with certain exceptions including exception for certain purchase money mortgages and existing liens, or any bonds, debentures or other evidences of indebtedness of Scurry or a subsidiary with certain exceptions including indebtedness for moneys borrowed in the ordinary course of business and for the purpose of carrying on the same, (c) sale by a subsidiary of any of its shares other than to Scurry or to another subsidiary, and sale by Scurry or a subsidiary of any shares of a subsidiary other than to Scurry or a subsidiary, except under certain conditions, and (d) sale, lease or other disposition by Scurry or a subsidiary of the whole or substantially the whole of its assets.

(5) A prohibition against the declaration or payment of dividends by Scurry or any other distribution on Capital Stock of Scurry (except dividends payable in its own stock) if, after giving effect thereto, the consolidated net current assets (as defined) would be less than 25% of the aggregate principal amount of all Debentures at the time outstanding, or if Scurry is in default under the Trust Deed.

The payment of dividends is not currently subject to exchange control restrictions. However, such restrictions may in the future be imposed. See the caption "Canadian Foreign Exchange Control". Dividends payable to non-residents of Canada are presently subject to a withholding tax of 15% imposed by the Canadian Income Tax Act. Taxes so withheld may at the present time be taken as a credit against United States income taxes subject to certain limitations set forth in the Internal Revenue Code and Treasury Regulations.

MANAGEMENT

The Directors and officers of the Company are:

<u>Name</u>	<u>Office</u>
T. H. Jones, Jr.	Chairman of the Board, Director
A. W. Nauss	President, Director
G. H. Allen	Director
W. H. Farrand	Director
G. C. Knowles	Director
J. F. Langston	Director
Wickliffe Shreve	Director
F. E. Taplin	Director
A. P. Lucht	Vice President
B. Middleton	Treasurer, Assistant Secretary
T. R. Colborn	Secretary
J. K. Clark	Assistant Secretary

T. H. Jones, Jr. has been President, a Director and chief executive officer of Rainbow since its organization and was instrumental in the founding of Rainbow and its predecessor company. He was also President and chief executive officer of T. H. Jones & Company, Cleveland, Ohio, investment bankers, from May, 1948 until December, 1953, at which time that Company withdrew from the investment banking business. Since then Mr. Jones has been devoting his entire business time to the affairs of Rainbow and its former United States subsidiary, Rainbow Production Corporation, and of the Company.

A. W. Nauss has been Vice President and Managing Director of Scurry since October, 1952 and previously served it as an adviser and a Director. He was an officer and Director of Link & Nauss Ltd. from June, 1950 until January 1, 1954, when he retired from participation in its affairs and became a full time employee of Scurry. From January, 1949 to June, 1950 he was Chief Geologist of Pacific Petroleum Ltd. Link & Nauss Ltd. acted as Manager for Scurry and geological consultants for Rainbow, and the successor, Link, Downing & Cooke Ltd., will serve as geological consultants for them and for the Company.

G. H. Allen, Q.C., is a partner of Porter, Allen & MacKimmie, barristers and solicitors, Calgary, Alberta, and a Director of Scurry, The Northern Trusts Company of Winnipeg, Manitoba and other corporations.

W. H. Farrand is Executive Vice President and a Director of Rainbow and President of Rainbow Production Corporation. Prior to his employment by Rainbow in July, 1952 he had been employed for more than twenty years in various capacities by The Texas Company and affiliated companies, serving most recently as General Manager of the Foreign Producing Department (Western Hemisphere) of The Texas Company and as an officer and director of various affiliated companies. In 1951 he served on leave of absence as Director of Foreign Production in the Petroleum Administration for Defense in Washington, D. C.

G. C. Knowles is a partner of Ross, Knowles & Co., investment bankers of Toronto, Ontario. He is President and a Director of Jupiter Oils Limited and a Director of Scurry and other corporations.

J. F. Langston has been President and a Director of Scurry since its organization and in addition since 1946 has been principally engaged as Managing Director of Denton-Spencer, Ltd., engineering consultants.

Wickliffe Shreve is a general partner of Hayden, Stone & Co., investment bankers of New York, New York, and a Director of Rainbow and of other corporations.

F. E. Taplin was active in the organization and development of Rainbow and its predecessor company and is its largest shareholder and Chairman of its Board of Directors. He is a Director of The North American Coal Corporation and of other corporations.

A. P. Lucht is Vice President and Treasurer of Rainbow. Prior to July 1, 1952 he was Vice President in charge of the Trust Department of the Worcester County Trust Company, Worcester, Massachusetts. Previously he was for twelve years with Scudder, Stevens & Clark, investment counsel of New York, New York.

B. Middleton has been Secretary-Treasurer of Scurry since its organization and a Director since June, 1953, and Office Manager of Link & Nauss Ltd. from 1950 until January, 1954, when he became a full time employee of Scurry. For four years prior thereto he was Office Manager of the Geological Department of International Petroleum Company Ltd. in Peru.

T. R. Colborn has been Secretary of Rainbow and its predecessor company since their organization and a Director since March, 1952. He is a partner of Jones, Day, Cockley & Reavis, United States counsel for Rainbow, and also a Director of RKO Theatres Corporation and other corporations.

J. K. Clark has been an employee of Link & Nauss Ltd. for two years.

The following table sets forth estimated annual rates of remuneration to be paid during its first fiscal year by the Company and its subsidiaries to all Directors and officers as a group, there being no Director or officer whose annual rate of remuneration is expected to exceed \$25,000.

<u>Name and Capacity</u>	<u>Estimated Annual Remuneration</u>
All Directors and officers as a group.	\$50,000

No Director or officer of Scurry received aggregate remuneration in excess of \$25,000 during its last fiscal year, and the aggregate remuneration of all Directors and officers during such year was \$7,410. This amount does not include \$12,000 paid to Link & Nauss Ltd. for management services pursuant to a Management Contract dated November 21, 1950, as amended (which Contract was terminated as of December 31, 1953), and \$2,084 paid to the firm of Porter, Allen & MacKimmie for legal services rendered to Scurry during such year.

Scurry has no pension or retirement plan and no outstanding options.

The only Director or officer of Rainbow who received aggregate remuneration in excess of \$25,000 during its last fiscal year was W. H. Farrand, Executive Vice President and a Director, who received \$32,900 (U.S.) pursuant to an employment contract with initially specified an annual rate of \$35,000 but was modified in April, 1953 to reduce such rate to \$30,000, plus contingent additional compensation at the annual rate of \$5,000 payable in 60 monthly installments commencing upon the termination of his employment by Rainbow or its affiliated corporations provided he has complied with the terms of his employment contract and has rendered advisory services to Rainbow upon its request. The aggregate remuneration of all Directors and officers of Rainbow during its last fiscal year was \$66,516 (U. S.). Considerable portions of the remuneration paid by Rainbow to W. H. Farrand and its other Directors and officers as set forth above have been charged to its former subsidiary, Rainbow Production Corporation, and will in the future be paid directly by that corporation. Upon the amalgamation becoming effective, the aggregate remuneration payable by the

Company, Scurry and Rainbow to the present Directors and officers of Rainbow and its Cleveland office employees will not exceed an annual rate of \$25,000.

The aggregate remuneration paid to all Directors and officers of Rainbow during its last fiscal year, as set forth above, does not include \$19,545 (U. S.) paid by Rainbow and its subsidiary for such year to the firm of Jones, Day, Cockley & Reavis, of which T. R. Colborn, a Director and Secretary of Rainbow, is a member, for legal services, and \$20,852 so paid to T. H. Jones & Company for administrative and management services and royalties.

T. H. Jones & Company has performed administrative and management services for Rainbow (as well as the predecessor company and Rainbow's former subsidiary) for which it was entitled to compensation for costs and expenses incurred in rendering such services, including a reasonable allowance for time actually spent by its officers. In addition, T. H. Jones & Company was entitled to a gross royalty of 1% of the predecessor company's share of production from properties formerly held by it and 2% of Rainbow's share of production of all other properties held or acquired by Rainbow, except properties subject to the Leasehold Syndicate Agreement. On November 25, 1953 Rainbow, its former subsidiary and T. H. Jones & Company entered into an agreement terminating such arrangements. Pursuant thereto, Rainbow and the former subsidiary have assigned to T. H. Jones & Company, in consideration of services rendered prior to termination, royalties of 1%, 2% and 2½% of the particular Company's production from specified properties (including 1% in the Brazeau leases and 2% in the 36,160 acre Wapiti-Smoky reservation) with provision for payment of the same percentage of the consideration received on any transfer or release of the specified properties.

Properties acquired by Rainbow, excluding properties acquired through the Leasehold Syndicate, were formerly subject to an agreement with Link & Nauss Ltd. under which the latter agreed upon request to supervise drilling, production and other operations. Rainbow was required to compensate Link & Nauss Ltd. for its costs and expenses and to pay to it a gross overriding royalty of 2% of the current market value at the time and place of production of Rainbow's share of all petroleum, natural gas and related hydrocarbons produced, saved and sold from properties acquired by Rainbow. Link & Nauss Ltd. were also entitled to 2% of the consideration received by Rainbow on the sale of properties in which Link & Nauss Ltd. held royalties under the agreement. The agreement was terminated on October 31, 1953 as to properties thereafter acquired but without affecting royalties in properties theretofore acquired.

Rainbow has no pension or retirement plan. On March 1, 1954 the Company granted to three employees, officers of Rainbow, options to purchase an aggregate of 190,000 shares of its Capital Stock as summarized below, in connection with the termination of options on an aggregate of 50,000 shares of Rainbow previously granted to them by Rainbow:

<u>Name and Title</u>	<u>Number of Shares</u>	<u>Option Price per Share</u>
T. H. Jones, Jr., Chairman of the Board	57,000	\$1.45
of the Company	57,000	1.70
W. H. Farrand, Director	28,500	1.45
of the Company	28,500	1.70
A. P. Lucht, Vice President	9,500	1.45
of the Company	9,500	1.70

In each instance the option price is \$1.45 per share for the first one-half of the shares covered and \$1.70 per share for the balance. The options are presently exercisable by Mr. Jones as to one-ninth of the shares covered by his option and by Messrs. Farrand and Lucht as to one-third of the shares covered by their options, as a result of prior employment by Rainbow. Mr. Jones' option will become exercisable as to an additional one-ninth on July 22, 1954, two-ninths on October 1, 1954, one-ninth on July 22, 1955 and two-ninths on October 1, 1955 and 1956. Mr. Farrand's and Mr. Lucht's options will become exercisable as to additional one-thirds on July 22, 1954 and 1955. All of the options terminate three months after the date the optionee ceases to be an employee of the Company or a subsidiary or, in the event of his earlier death, nine months after death, except that in the case of Mr. Farrand if employment terminates on account of retirement from full time employment in the oil business the option would continue for three years. All of the options terminate in any event on October 22, 1962, or sooner if the Board of Directors should find that the optionee had intentionally committed an act materially inimical to the interests of the Company. Rainbow Production Corporation has also granted correlative options to these employees, and the aggregate option prices under the Company's options and the Rainbow Production Corporation options is somewhat in excess of the aggregate option prices under the options previously granted by Rainbow (between July 22, 1952 and October 21, 1953) at times when the option prices were at or in excess of the then market value of the Rainbow shares.

PRINCIPAL HOLDERS OF EQUITY SECURITIES

On the basis of holdings of shares of Scurry and of Rainbow as of February 5, 1954, if the 4,700,416 shares of Capital Stock offered hereby are issued in exchange for all of the Scurry and Rainbow shares, the Company believes that no person will own of record or beneficially more than 10% of the outstanding shares of its Capital Stock, and all Directors and officers of the Company as a group will own shares of Capital Stock as follows:

<u>Type of Ownership</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Of record and beneficially	330,913	7.4%
Beneficially only	145,510	3.1%
Of record only	3,300	

F. E. Taplin, 1611 Union Commerce Building, Cleveland, Ohio, Chairman of the Board of Rainbow and a Director of the Company, would own beneficially 342,000 shares, which would be 11.5% of the Company's outstanding shares in the event that only 51% of the Scurry shares and only 80% of the Rainbow shares are exchanged for shares of the Company.

PROMOTERS

The Company

The arrangements for the organization of the Company and the making of the Exchange Offer pursuant to the Amalgamation Agreement, as hereinbefore described, may be such as to constitute Scurry and Rainbow (and their Directors and officers acting on their behalf) promoters of the Company.

Scurry

Paul Moseson was the promoter of Scurry and served as a Director from its organization until March 16, 1953. A 2½% royalty on a half section in the Duhamel area of Alberta was taken up in the names of Mr. Moseson and A. W. Nauss and held in their names for several months. The property was purchased on behalf of Scurry and so registered in the individuals' names for expediency as they were not signing officers of Scurry at the time. The property was subsequently transferred to Scurry without profit or remuneration to Messrs. Moseson and Nauss. The amount paid by Scurry and the amount received by the original owner of the property was \$8,000.

Rainbow

T. H. Jones, Jr. and F. E. Taplin may be deemed promoters of Rainbow and its predecessor company.

The leasehold properties of Rainbow's predecessor company were initially purchased in November, 1950 by T. H. Jones & Company for a group of five persons, including, in addition to Mr. Jones and Mr. Taplin, two members of Mr. Jones' family. In December, 1950 Mr. Jones and Mr. Taplin caused the predecessor company to be formed to acquire these leasehold interests. The predecessor company sold 28,003 shares of its capital stock for cash, at their par value of \$1, principally to Mr. Jones, members of his family and Mr. Taplin. In order to obtain an additional \$300,000 for Rainbow through a bank loan the shareholders pledged, without compensation, securities having a total value in excess of \$300,000. Thereupon the five shareholders sold to the predecessor company for cash, at their cost of \$287,560, the interests in the leaseholds which they had acquired. The pledge was released when the properties were developed and income from production was available as a substitute security.

Rainbow and the predecessor company were amalgamated on February 29, 1952 pursuant to action of the Directors and shareholders of each company. Mr. Jones and Mr. Taplin, as officers and Directors of Rainbow and as officers and the sole Directors of the predecessor company, participated in consideration of the amalgamation. The terms of the amalgamation were determined on the basis of an evaluation of the relative values of the properties of the two companies made by Link & Nauss Ltd., geological consultants to each. In the amalgamation the predecessor company transferred to Rainbow all of its properties and assets in exchange for 36,580 shares of \$5 par value Capital Stock of Rainbow and its assumption of all the obligations and liabilities of the predecessor company theretofore incurred. Rainbow's shares issued in the exchange were distributed to the shareholders of the predecessor company proportionately in liquidation. In this distribution Mr. Jones, members of his family and Mr. Taplin received a total of 35,927 shares of Rainbow having an aggregate par value of \$179,635 in exchange for shares in which they had invested a total of \$37,324.45.

Pending Rainbow's determination as to whether to enter the Scurry-Banff-Rainbow Leasehold Syndicate mentioned above, Mr. Jones and Mr. Taplin advanced a total of \$50,000 for the syndicate operations to protect the position of Rainbow, and thereafter transferred to Rainbow at their cost, without profit, their interests in the syndicate and its properties.

NATURE OF OIL AND GAS INTERESTS—REGULATION

Oil and Gas Interests in Alberta

Petroleum and natural gas rights in the Province of Alberta are divided into those owned by the Crown, i.e., the government of the Province of Alberta (covering approximately 90% of Alberta mineral rights), and those owned by private interests and known as freehold rights. It is usual to obtain a lease of rights from the Crown in one of two ways. One method, which has been used by Scurry and the Scurry-Banff-Rainbow Leasehold Syndicate, is to obtain a reservation for the purpose of conducting geological and geophysical exploration. Crown exploration reservations are limited to a maximum area of 100,000 acres each and are issued for a primary term of four months, renewable for two like additional terms without extra cost on a showing of diligence on the part of the holder, and may thereafter, upon payment of extension fees, be renewed for subsequent periods in the discretion of the Crown. Such renewals are customarily granted in the event that the holder of the reservation is deemed to have carried out acceptable exploratory work. The holder of the reservation is granted exclusive prospecting rights during the term thereof and is required in return to conduct certain minimum development work and to file periodic reports with respect thereto. Upon discovery of oil in commercial quantities on a reservation the holder is required within 90 days to make his choice of acreage to be converted to lease and may thereupon apply for leases of such acreage, which may not exceed 50% of the entire area of the reservation. Annual lease rentals, exclusive of royalties, are at the rate of \$1 per acre. Such Crown leases may not be for more than 50% of the available land in each township included in the reservation, and there are certain limitations as to the selection of contiguous acreage. The remaining area not so leased reverts to the Crown and is usually subsequently offered for lease at Crown auction, selling for prices ranging from nominal amounts to very large sums. The purchase of leases at Crown auction is the method by which all of the interests of Scurry and Rainbow in producing oil properties have been obtained.

A comparatively small proportion of the mineral rights in Alberta is held by private interests and the acquisition of freehold leases to such mineral rights is a matter of bargaining. Annual rentals at the rate of \$1 per acre per year are customarily payable with respect to freehold leases.

Crown leases are for a term of 21 years and are renewable for further like terms if production conditions still exist. Leases from private interests are normally for periods of from five to ten years and thereafter so long as production is being obtained. Some freehold leases require the payment in a lump sum at the time of the granting of the lease of advance rental for periods ranging from five to ten years.

Crown and Freehold Royalties

Since June 1, 1951, all Crown royalties on oil have been calculated on the following formula. When the average daily production of the well computed over the month in which the royalty is to be paid is from 50 to 60 barrels, the royalty is $12\frac{1}{2}\%$; when it is from 60 to 135 or more barrels, the royalty increases on a graduated scale from $12\frac{1}{2}\%$ to a maximum of $16\frac{2}{3}\%$ at 135 barrels or over; and when it is from 50 to 25 or fewer barrels, the royalty

decreases on a sliding scale from 12½% to a minimum of 5% at 25 barrels or less. At the present level of production, the Crown royalties paid by Scurry and Rainbow range from 5% to 16⅔%. Crown royalties may be increased or decreased at any time. In addition to the normal Crown royalty calculated as above set forth, in some cases, in order to obtain a Crown lease at auction, it is necessary to agree to make additional payments to the Crown out of production, in the nature of an overriding royalty. Such additional payments are not now required with respect to any of the producing wells in which Scurry or Rainbow have interests. The royalty payable under leases of freehold property is established in each individual case with the person from whom the lease is obtained and no royalty is payable to the Crown.

Regulation

The principal regulatory authority in Alberta is the Petroleum and Natural Gas Conservation Board, which controls the development and operation of both Crown and freehold leases. Among other things, it has the power to make and enforce regulations and orders with respect to licensing drilling operations, defining field limits and spacing of wells, controlling and regulating the production of oil and natural gas by restriction, proration or prohibition, requiring re-pressuring, re-cycling or pressure maintenance and the underground storage of gas produced in excess of market requirements. The Board is also empowered to fix allowables for oil not exceeding the reasonable market demand as determined by the Board and to make allocations in a reasonable manner among the producing pools in the Province. It has been the practice of the Board to fix these allowables monthly in advance. The Board of Public Utility Commissioners also has jurisdiction and control over certain aspects of oil and natural gas activities in the Province. In general, existing legislation authorizes the regulation and control of almost every feature of the production, transmission, distribution, sales and disposal of oil and natural gas produced in Alberta. Steel products may also be allocated under the Defense Production Act.

CANADIAN FOREIGN EXCHANGE CONTROL

Under the Foreign Exchange Control Act the Government of Canada has power to exercise control over a wide range of transactions between residents and non-residents. This control was exercised until December 15, 1951 but since that time transactions have been exempted from permit requirements theretofore in effect, no official rates of exchange have been imposed and there have been no controls on the sale and purchase of foreign currency in Canada. While it is possible that controls may be reimposed, the Company is not aware of any such intention.

LEGAL MATTERS

Legal matters in connection with this offering have been or will be passed upon, as to Canadian law, by Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones, 600 Lancaster Building, Calgary, Alberta, and Messrs. Porter, Allen & MacKimmie, 436 Loughheed Building, Calgary, Alberta, and as to United States law, by Messrs. Jones, Day, Cockley & Reavis, 1759 Union Commerce Building, Cleveland, Ohio.

EXPERTS

Each financial statement and summary herein covered by a report of Harvey, Morrison & Co. or Price Waterhouse & Co., independent public accountants, is included herein by the Company in reliance upon the authority of such accountants as experts in accounting.

The statements set forth in the second paragraph under "Registration Statement"; under "Nature of Oil and Gas Interests—Regulation"; under "Description of Stock"; and under "Canadian Foreign Exchange Control"; all as to matters of law and legal conclusions, have been reviewed by Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones and Messrs. Porter, Allen & MacKimmie, and the statements under "Miscellaneous" under "Properties" by Messrs. Nolan, Chambers, Might, Saucier, Peacock & Jones, and are included herein in reliance upon the authority of such firms as experts. Such firms have from time to time acted as counsel in connection with various matters for Scurry, Rainbow and the Company. J. J. Saucier, Assistant Secretary of Rainbow, is a member of the firm of Nolan, Chambers, Might, Saucier, Peacock & Jones, and G. H. Allen, a Director of Scurry and of the Company, is a member of the firm of Porter, Allen & MacKimmie.

The statements set forth in "Engineer's and Geologist's Report" and the estimates of reserves appearing herein have been prepared by Link & Nauss Ltd. (name being changed to Link, Downing & Cooke, Ltd.), and are incorporated herein in reliance upon the authority of that firm as experts. Dr. Theo. A. Link, President and a shareholder of such firm, owns 50,000 shares of Scurry, \$10,000 principal amount of Scurry's 5% Convertible Sinking Fund Debentures due 1964 and 7,800 shares of Rainbow (of which 6,000 shares are not fully paid to the extent of \$24,216), and the firm owns 1,200 shares of Rainbow. Messrs. Link, Downing & Cooke also own shares of certain other oil companies which are joint owners of the properties of Scurry and Rainbow and are participants in the syndicates of which they are members. For information concerning royalties to which Link & Nauss Ltd. is entitled see "Management". B. Middleton, Treasurer and Assistant Secretary of the Company, owns 5% of the outstanding shares of Link & Nauss Ltd.

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SCURRY-RAINBOW OIL LIMITED

PRO FORMA CONDENSED CONSOLIDATING BALANCE SHEET GIVING EFFECT TO AMALGAMATION PLAN AND BASED ON ASSUMPTIONS STATED BELOW

	Pro forma				
	At September 30, 1953	Rainbow recapitalization and distribution	Adjustments to conform and accounting principles	Scurry and Rainbow Combined	Scurry-Rainbow Oil Limited Consolidated
	Scurry Oils Limited	Rainbow Oil Limited			
ASSETS					
Current assets	\$1,532,152	\$ 536,590	\$ —	\$2,068,742	\$ —
Deposits and miscellaneous assets	66,206	76,330	—	142,536	—
Investment in and loans to Rain- bow Production Corporation	—	635,323	(2)	625,288*	—
Investment in Scurry and Rain- bow, stated at book value of underlying net assets	—	—	—	10,035	—
Leases, development costs and pro- duction equipment, at cost	1,922,994	1,668,067	(3)	290,700	3,616,977
Less—Depreciation, depletion and amortization	331,113*	260,532*	(3)	82,100	—
Deferred charges	136,245	—	(3)	25,596*	—
	<u>\$3,326,484</u>	<u>\$2,655,778</u>		<u>\$5,704,178</u>	<u>\$5,704,178</u>
LIABILITIES					
Current liabilities	\$ 370,047	\$ 37,154	\$ —	\$ 407,201	\$ —
5% convertible sinking fund debentures	1,680,000**	—	—	1,680,000**	—
	<u>\$2,050,047</u>	<u>\$ 37,154</u>		<u>\$2,087,201</u>	<u>\$2,087,201</u>
Capital stock:					
Authorized—10,000,000 shares 50¢ par value each					
To be issued—4,700,416 shares— see 4 below	\$ —	\$ —	\$ —	\$ —	(4) \$2,350,208
Issued	1,335,000	2,671,600	—	2,403,640	—
Capital surplus	527,700	320,433	—	1,825,805	1,879,237
Deficit	586,263*	373,409*	(3)	347,204	612,468*
	<u>\$1,276,437</u>	<u>\$2,618,624</u>		<u>\$3,616,977</u>	<u>\$3,616,977</u>
	<u>\$3,326,484</u>	<u>\$2,655,778</u>		<u>\$5,704,204</u>	<u>\$5,704,178</u>

* Denotes deduction.

**See information under "Description of Stock". These debentures are a secured obligation of Scurry Oils Limited and will not become a liability of Scurry-Rainbow Oil Limited.

ASSUMPTIONS AND KEY TO TRANSACTIONS AND ADJUSTMENTS

The pro forma consolidating balance sheet of Scurry-Rainbow Oil Limited and its proposed subsidiaries, Scurry Oils Limited and Rainbow Oil Limited, has been prepared as if the following contingent events had taken place at September 30, 1953:

1. The par value of Rainbow capital stock had been reduced from \$5.00 to \$2.00 per share; given effect to in (1) above.
2. The equity in Rainbow Production Corporation, wholly-owned U. S. subsidiary of Rainbow, after conversion of loans into capital stock, had been distributed in kind to the the Rainbow stockholders; given effect to in (2) above.
3. Adjustments had been made on the accounting records of both Scurry and Rainbow for the purpose of placing their accounting principles and methods on a uniform basis; given effect to in (3) above. Applied to the individual companies, these adjustments would have had the effect of reducing Scurry's deficit by \$353,344 (to \$232,919) and increasing Rainbow's deficit by \$6,140 (to \$379,549), as shown below:

	Scurry	Rainbow	Combined
Capitalization by Scurry of exploration costs and lease rentals on unproven properties in conformity with Rainbow's practice (see page 9)	\$328,740	\$ —	\$328,740
Write-off by Rainbow of lease cost in Drumbeller area for consistency with Scurry (see footnote, page 9)	—	38,040*	38,040*
			<u>\$290,700</u>
Reduction of Scurry's depreciation from basis of one-half maximum rates allowable under Canadian Income Tax Regulations to Rainbow basis of 15% per annum on straight-line method	50,200	—	\$ 50,200
Reduction of Rainbow's depletion and amortization on unit of production basis from computation for individual wells to computation for well areas, to conform to Scurry practice	—	31,900	31,900
			<u>\$ 82,100</u>
Write-off of Scurry's organization and listing expense in conformity with Rainbow practice	25,596*	—	25,596*
	<u>\$353,344</u>	<u>\$ 6,140*</u>	<u>\$347,204</u>

If the amalgamation plan is consummated, these adjustments will be made to the accounting records.

4. 100% of the stockholders of both Scurry and Rainbow had exchanged their shares for shares of Scurry-Rainbow on the basis described on page 3; given effect to in (4) above, namely:

For Scurry	2,670,000 issued shares,	1 for 1 or 2,670,000 Scurry-Rainbow shares
For Rainbow	534,320 issued shares,	3.8 for 1 or 2,030,416 Scurry-Rainbow shares
		<u>4,700,416</u>

If (instead of the 100% assumed above) 51% of the Scurry stockholders and 80% of the Rainbow stockholders had exchanged their respective shares for shares of Scurry-Rainbow Oil Limited, the pro forma capital and deficit would be as follows:

Minority interest (49% Scurry, 20% Rainbow)	\$1,196,040
Capital stock: Authorized 10,000,000 shares, 50¢ par value each—issued 2,986,032 shares	\$1,493,016
Capital surplus	1,350,357
Deficit	<u>422,436*</u>
	<u>2,420,937</u>
	<u><u>\$3,616,977</u></u>

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CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors,
Scurry Oils Limited.

We have examined the accounts of Scurry Oils Limited from the inception of the company, 3rd June, 1950 to 30th September, 1953. We have also examined the balance sheet as at 30th September, 1953; the statement of operations for the years ended 30th September, 1951, 1952 and 1953; the condensed summary of operating results from the date of incorporation, 3rd June, 1950 to 30th September, 1953; and also the schedules supporting these statements. Except that we did not observe physical inventories of tubular goods and other materials, as to which we satisfied ourselves by other means, our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us, the balance sheet as at 30th September, 1953; the statement of operations for the three years ended 30th September, 1951, 1952 and 1953; the condensed summary of operating results from 3rd June, 1950 to 30th September, 1953; and the supporting schedules, together with the notes appended thereto, present fairly the financial position and results of operations of Scurry Oils Limited all in conformity with generally accepted accounting principles applied on a consistent basis.

HARVEY, MORRISON & Co.
Chartered Accountants

CALGARY, Alberta.
4th February, 1954.

SCURRY OILS LIMITED
CALGARY, ALBERTA

BALANCE SHEETS AS AT 30TH SEPTEMBER, 1953 AND 31ST DECEMBER, 1953
(IN CANADIAN CURRENCY)

	30th September, 1953	Unaudited 31st December, 1953
ASSETS		
CURRENT		
Cash on Hand and in Bank	\$ 184,006.70	\$ 71,418.12
Accounts Receivable	\$305,489.51	
Less Accumulated Provision for Doubtful Accounts	337.88	146,252.14
Expenditures on Wells Recoverable from Participating Companies	57,110.63	31,131.83
Short Term Notes—Industrial Acceptance Corporation (1953-1954).....	800,000.00	1,000,000.00
Accrued Interest Receivable on Investments	3,679.99	11,164.34
Inventory—tubular goods, etc.—at cost and as certified by responsible officials of the company	182,202.68	169,414.77
TOTAL CURRENT ASSETS	\$1,532,151.63	\$1,429,381.20
GUARANTEE DEPOSITS		
Drilling and Miscellaneous	\$ 4,000.00	\$ 4,017.00
P. & N. G. Reservation Deposits	5,500.00	1,333.33
	\$ 9,500.00	\$ 5,350.33
INVESTMENTS AT COST		
Riverside Leaseholds Ltd.		
4½% Debenture (Par Value \$48,000.00)	\$ 47,999.00	\$ 47,999.00
Home Oil Co. Ltd.—750 shares		
(Market Value \$6,000.00)—Nominal Value	1.00	1.00
Redwater Water Disposal Company Limited—		
22 shares	22.00	22.00
Non Interest Bearing Debentures		
(Par Value \$28,300.00)	\$ 28,300.00	
Less Participating companies' interest	19,756.20	8,668.80
	\$ 56,565.80	\$ 56,690.80
INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANIES		
Representing cost of shares in each of seven companies—Note 2	\$ 140.00	\$ 140.00
FIXED—AT COST		
Royalties, Leases and Reservations, Development Expense, Equipment and Office Alteration	\$1,922,993.85	\$1,974,145.72
Less Reserves for Depletion, Depreciation and Amortization—Notes 3 to 8 inclusive	331,112.65	368,673.57
	\$1,591,881.20	\$1,605,472.15
DEFERRED CHARGES		
Organization and Incorporation Expenses	\$ 5,205.23	\$ 5,205.23
Expense re Listing on Stock Exchanges	20,391.24	20,391.24
Debenture Issue Expense less Amortization of \$1,725.65	18,982.14	18,550.73
Discount on Sale of Debentures less Amortization of \$8,333.34	91,666.66	89,583.44
	\$ 136,245.27	\$ 133,730.64
	\$3,326,483.90	\$3,230,765.12

SCURRY OILS LIMITED
CALGARY, ALBERTA

BALANCE SHEETS AS AT 30TH SEPTEMBER, 1953 AND 31ST DECEMBER, 1953
(IN CANADIAN CURRENCY)

	30th September, 1953	Unaudited 31st December, 1953
LIABILITIES		
CURRENT		
Accounts Payable	\$ 79,274.70	\$ 94,371.92
Participating Companies—Unexpended advances re Drilling of Wells and Acquisition of Leases, etc.	110,041.43	42,037.15
5% Convertible Sinking Fund Debenture— Instalment due 15th September, 1954	\$160,000.00	\$160,000
Less 5% Convertible Sinking Fund Debentures Purchased	24,000.00	94,000
Debenture Interest Coupons Payable	40,950.00	17,350.00
Debenture Interest Accrued	3,780.81	26,969.83
TOTAL CURRENT LIABILITIES	\$ 370,046.94	\$ 246,728.90
5% CONVERTIBLE SINKING FUND DEBENTURES		
(Matures 15th September, 1964—Second Sinking Fund payment due 15th September, 1954 of \$160,000.00 included in Current Liabilities)— Note 9	\$1,680,000.00	\$1,680,000.00
CAPITAL AND SURPLUS		
Capital— Authorized— 5,000,000 shares—Par Value 50¢ each	\$2,500,000.00	
Issued and Fully Paid— 2,670,000 shares	\$1,335,000.00	\$1,335,000.00
CAPITAL SURPLUS—resulting from the conversion of no par value shares to par value shares	527,699.60	527,699.60
	\$1,862,699.60	\$1,862,699.60
LESS OPERATING DEFICIT, per accompanying schedule	586,262.64	558,663.38
	\$1,276,436.96	\$1,304,036.22
Approved on behalf of the Board:		
J. F. Langston, Director		
A. W. Nauss, Director		
	\$3,326,483.90	\$3,230,765.12

The accompanying Notes to Financial Statements which are applicable to the above Balance Sheet are an integral part thereof.

CALGARY, Alberta.
4th February, 1954.

This is the Balance Sheet referred to in our attached Report of even date.

HARVEY, MORRISON & CO.
CHARTERED ACCOUNTANTS.

SCURRY OILS LIMITED
CALGARY, ALBERTA
STATEMENT OF OPERATIONS AND DEFICIT
(IN CANADIAN CURRENCY)

	Year Ended 30th September, 1951	Year Ended 30th September, 1952	Year Ended 30th September, 1953	Unaudited 3 Months Ended December 31, 1953
Production income—company share—Note 1	\$ 87,479.53	\$243,990.93	\$462,833.57	\$135,789.38
Less Royalties thereon	11,730.12	28,950.81	56,119.76	17,443.71
	\$ 75,749.41	\$215,040.12	\$406,713.81	\$118,345.67
Crude oil production expense other than those shown below	\$ 9,205.64	\$ 52,932.26	\$ 83,252.87	\$ 14,193.47
Maintenance and repairs	994.03	12,003.67	22,093.63	5,242.34
Taxes—other than taxes on income	802.22	2,160.59	3,783.43	226.30
Lease and surface rentals	191.84	2,194.27	4,435.96	1,288.33
	\$ 11,193.73	\$ 69,290.79	\$113,565.89	\$ 20,950.44
Depreciation, depletion and amortization— Notes 5, 6 and 7	42,563.32	141,689.95	144,934.41	36,823.37
	\$ 53,757.05	\$210,980.74	\$258,500.30	\$ 57,773.81
	\$ 21,992.36	\$ 4,059.38	\$148,213.51	\$ 60,571.86
General and administrative expenses other than those shown below	\$ 21,895.75	\$ 97,849.88	\$135,480.50	\$ 35,297.64
Loss on bad debts	—	3,007.45	15,763.92	—
Depreciation on office equipment, etc.	613.92	5,557.44	4,198.34	1,021.07
	\$ 22,509.67	\$106,414.77	\$155,442.76	\$ 36,318.71
Less—charged to others	7,294.91	74,131.10	117,099.79	30,942.29
	\$ 15,214.76	\$ 32,283.67	\$ 38,342.97	\$ 5,376.42
Profit (Loss) from operations	\$ 6,777.60	\$(28,224.29)	\$109,870.54	\$ 55,195.44
Exploration Costs	\$ 9,821.90	\$144,232.50	\$124,747.20	\$ 24,196.58
Lease Rentals, reservation fees, etc. on non- producing properties	—	26,619.31	44,805.52	2,639.97
Dry Holes and abandoned leases	26,870.82	175,555.78	137,367.13	556.66
	\$ 36,692.72	\$346,407.59	\$306,419.85	\$ 27,393.21
	\$(29,915.12)	\$(374,631.88)	\$(196,549.31)	\$ 27,802.23
Interest on debentures—Note 9	\$ —	\$ —	\$ 96,408.67	\$ 22,463.42
Amortization of debenture expense—Note 9	—	—	10,058.99	2,514.63
	\$ —	\$ —	\$106,467.66	\$ 24,978.05
	\$(29,915.12)	\$(374,631.88)	\$(303,016.97)	\$ 2,824.18
Non-operating Income—				
Interest on investments	\$ 2,778.75	\$ 3,359.11	\$ 24,033.52	\$ 8,996.12
Royalty income less depletion—Note 4	—	715.58	8,061.28	4,111.30
Profit on sale of investments	—	15,114.52	20,840.75	—
Profit on sale of royalties and leases	17,975.00	7,852.57	412.50	3,158.66
Income resulting from purchase of debentures at less than par value	—	—	7,577.50	7,731.25
Other	249.17	4,211.01	5,685.38	777.75
	\$ 21,002.92	\$ 31,252.79	\$ 66,610.93	\$ 24,775.08
Net Loss (profit) for period	\$ 8,912.20	\$343,379.09	\$236,406.04	\$(27,599.26)
Deficit—Beginning of period	(2,434.69)	6,477.51	349,856.60	586,262.64
Deficit—End of period	\$ 6,477.51	\$349,856.60	\$586,262.64	\$558,663.38

SCURRY OILS LIMITED
CALGARY, ALBERTA
30TH SEPTEMBER, 1953

ANALYSIS OF CAPITAL

Authorized

5,000,000 shares—par value 50¢ each \$2,500,000.00

Issued for Cash

2,670,000 shares of no par value \$1,862,449.60

Receipts from share warrants which have been exercised 250.00
\$1,862,699.60

Deduct Transfer to Capital Surplus re conversion of 2,670,000 shares of no par value to 2,670,000
shares of 50¢ each 527,699.60

2,670,000 shares—par value 50¢ each \$1,335,000.00

SCURRY OILS LIMITED
CALGARY, ALBERTA
30th SEPTEMBER, 1953

NOTES TO FINANCIAL STATEMENTS

1. Oil on Hand is not brought into the accounts at year ends. This is in accordance with usual practice of the company.
2. The company's subsidiaries have not carried on any operations and therefore have no profits or losses. A proportion of the costs of incorporating the subsidiaries has been absorbed in the operations of the company.

3. Royalties, Property and Equipment

The major classifications of the fixed assets as at 30th September, 1953 are as follows:

Royalties	\$ 54,169.00
Producing properties—Leasehold Costs	583,980.60
Non Producing Properties—Leasehold and Reservation Costs	75,608.35
Development Expenditure	824,220.69
Production Equipment	308,297.80
Operators House	10,321.03
Office Alterations	15,187.67
Loose Tools	1,848.28
Automotive Equipment	26,969.74
Office Equipment	14,349.37
Pipe Racks	8,041.32
	\$1,922,993.85

4. Royalties

Depletion of royalty interests has been calculated on the basis of 25% of the net income received from royalties for the year. This is the allowance required under Canadian Income Tax Regulations.

5. Capital Cost Allowance (Depreciation)

Capital Cost Allowance has been calculated at one-half the maximum rates allowable under Canadian Income Tax Regulations except Automotive Equipment and Office Alterations. Automotive Equipment has been computed at full rates and Office Alterations are being written off over the period of the lease (5 years).

6. Depletion of Producing Properties

Depletion of the producing wells has been provided on a unit of production basis by applying to cost the percentage of barrels of recoverable oil, by areas, as determined by the company's Consulting Engineers.

7. Recovery of Development Expenditure

Amortization of investment in producing wells has been provided on a unit of production basis in the same manner as Depletion of producing wells, as above.

8. Property Dispositions

At the time properties are abandoned, retired or otherwise disposed of, the cost thereof is eliminated from the property accounts and any related depreciation, depletion and amortization is eliminated from the accumulated reserves; any profit or loss on sale of such properties is added to or deducted from the accumulated reserves.

SCURRY OILS LIMITED
CALGARY, ALBERTA
30th SEPTEMBER, 1953

NOTES TO FINANCIAL STATEMENTS — Continued

9. Debentures Issued

Authorized and Issued—\$2,000,000.00

Date of Maturity—15th September, 1964.

Conversion—

May be converted into shares at the option of the holder on the following basis per \$1,000.00 of principal.

1st December, 1952 to 15th September, 1954—300 shares

After 15th September, 1954 to 15th September, 1956—250 shares

After 15th September, 1956 to 15th September, 1958—200 shares

Sinking Fund Requirements—

Company to pay the Sinking Fund Trustee on or before 15th September in each of the years 1953 to 1963 (inclusive) the greater of—

(1) An amount sufficient to retire \$160,000.00 principal of Debentures.

(2) Equivalent of 56¢ per barrel (of 35 gal.) of liquid petroleum produced and marketed by the company during the twelve month period ending 1st August preceding the date the Sinking Fund payment is due.

Debentures and Coupons are secured by a Deed of Trust and Mortgage in favor of the Montreal Trust Company.

The mortgage is a first charge on the assets of the company.

The debentures have been issued at a discount of \$100,000.00 which will be written off by equal yearly amounts over the life of the issue.

During the year the firm has purchased \$160,000.00 of the company's own debentures and turned them over to the Sinking Fund Trustee as required by item (1) under the above Sinking Fund Requirements.

Debenture Discount in the amount of \$8,333.34 and Debenture Issue expense of \$1,725.65 have been written off during the year under review.

In addition to the \$160,000.00 of Debentures mentioned above the company purchased further debentures in the amount of \$24,000.00 or a total of \$184,000.00. These were purchased at a discount of \$7,577.50 which amount has been included in Non-operating Income for the year ended 30th September, 1953.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Scurry-Rainbow Oil Limited

We have examined the financial statements of Rainbow Oil Limited and those of its predecessor company and its unconsolidated subsidiary company for the period from commencement of operations, December 5, 1950, to September 30, 1953. Our examinations were made in accordance with generally accepted auditing standards and therefore included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It is our opinion that the accompanying financial statements (listed under Rainbow Oil Limited in the index on page 37) present fairly the financial position of Rainbow Oil Limited at September 30, 1953 and the results of operations of the company and its predecessor for the period from December 5, 1950 to September 30, 1953 and that the summary of operating results on page 9 presents fairly a summary of the operating results for the same period; in the financial statements and summary, generally accepted accounting principles were applied on a consistent basis.

Our review of the pro forma condensed consolidating balance sheet of Scurry-Rainbow Oil Limited, pages 38 and 39, indicated that the statement had been properly prepared to show the effect as at September 30, 1953 of the proposed amalgamation plan and the other proposed transactions described. However, because certain of these events cannot be consummated until the amalgamation plan has been completed, we are not in a position to express our opinion as to whether the consolidated financial position of the companies will be as set forth.

PRICE WATERHOUSE & Co.

Cleveland,
February 13, 1954

RAINBOW OIL LIMITED
(An Alberta Corporation)
BALANCE SHEETS — SEPTEMBER 30, 1953 AND DECEMBER 31, 1953
(In Canadian Currency)

	September 30, 1953 (Note 1)	Unaudited December 31, 1953
ASSETS		
Current assets:		
Bank balances and cash on hand	\$ 215,925	\$ 209,282
Canada and U.S. government bonds, at cost (approximately market).....	298,860	197,900
Receivable from field operators for share of undistributed production earnings....	19,297	16,120
Other accounts receivable and accrued interest	1,789	2,246
Prepaid insurance, etc.	719	674
	<u>\$ 536,590</u>	<u>\$ 426,222</u>
Investments and other assets:		
Receivable from shareholder for purchase of capital stock	\$ 24,216	\$ 24,216
500 shares of capital stock of Trans Mountain Oil Pipe Line Company, at cost (quoted market value \$10,375 at September 30; \$10,312 at December 31)	5,000	5,000
Redwater Water Disposal Company Limited debentures, at cost	9,816	9,941
Syndicate interests—equity in net working capital held by syndicate operators....	37,298	10,204
Investment in, loans to and account receivable from Rainbow Production Corporation, wholly-owned unconsolidated subsidiary (note 1):		
Capital stock	\$ 98,643	\$ 98,643
Loans	\$589,301	687,860
Account receivable	10,035	52,342
	<u>\$697,979</u>	<u>\$838,845</u>
Less— Reserve for loss	62,656	109,602
	<u>635,323</u>	<u>729,243</u>
	<u>\$ 711,653</u>	<u>\$ 778,604</u>
Leases, development costs and production equipment, at cost (note 2)	\$1,668,067	\$1,611,395
Depreciation, depletion and amortization (note 2)	260,532	290,688
	<u>\$1,407,535</u>	<u>\$1,320,707</u>
	<u>\$2,655,778</u>	<u>\$2,525,533</u>
LIABILITIES		
Current liabilities:		
Payable to field operators for balance of share of expenditures for development costs and production equipment (note 3)	\$ 20,872	\$ 4,913
Other accounts payable	16,282	16,693
	<u>\$ 37,154</u>	<u>\$ 21,606</u>
Capital stock, par value \$5 a share:		
Authorized 1,000,000 shares		
Issued and outstanding 534,320 shares, per accompanying statement (note 4).....	\$2,671,600	\$2,671,600
Capital surplus, per accompanying statement	320,433	320,433
Deficit, per accompanying statement (note 1)	(373,409)	(488,106)
	<u>\$2,618,624</u>	<u>\$2,503,927</u>
	<u>\$2,655,778</u>	<u>\$2,525,533</u>

Approved on behalf of the Board:
Frank E. Taplin, Chairman
Thomas H. Jones, Jr., President

RAINBOW OIL LIMITED
(An Alberta Corporation)
STATEMENTS OF PROFIT AND LOSS AND DEFICIT
Including Predecessor Company
(In Canadian Currency)

	Period from December 5, 1950 to September 30, 1951	Year ended September 30		Unaudited Three months ended December 31, 1953
		1952	1953	
Production income—proceeds from sale of crude oil applicable to Rainbow interests	\$107,475	\$ 220,120	\$ 240,500	\$ 81,686
Less Royalties thereon	14,626	28,408	30,200	10,803
	\$ 92,849	\$ 191,712	\$ 210,300	\$ 70,883
Crude oil production expenses, other than those shown below	\$ 9,725	\$ 30,014	\$ 49,049	\$ 14,291
Maintenance and repairs	1,410	10,625	6,631	3,430
Taxes, other than on income	789	1,745	2,762	—
Depletion and amortization (notes 2 and 7)	28,548	94,190	94,541	24,000
Depreciation (note 2)	4,411	15,017	23,677	6,000
	\$ 44,883	\$ 151,591	\$ 176,660	\$ 47,721
	\$ 47,966	\$ 40,121	\$ 33,640	\$ 23,162
General and administrative expenses, other than those shown below	\$ 2,790	\$ 25,775	\$ 73,193	\$ 23,948
Royalties to T. H. Jones & Company and Link & Nauss, Ltd.	3,224	7,170	8,104	2,796
Charge for administrative and office service—T. H. Jones & Company	8,223	27,551	16,128	1,128
Legal and accounting services	6,427	33,000	16,124	2,406
Interest expense	13,508	23,060	—	—
Cost of dry holes and abandoned leases	—	89,844	107,424	72,036
	\$ 34,172	\$ 206,400	\$ 220,973	\$ 102,314
Operating (loss) or profit	\$ 13,794	\$(166,279)	\$(187,333)	\$ (79,152)
Non-operating income:				
Interest on loan to Rainbow Production Corporation	\$ —	\$ —	\$ 11,654	\$ 6,784
Interest on government bonds, etc.	—	5,820	11,591	4,617
	\$ —	\$ 5,820	\$ 23,245	\$ 11,401
(Loss) or profit for the period, before deducting provision below	\$ 13,794	\$(160,459)	\$(164,088)	\$ (67,751)
Provision for loss of unconsolidated subsidiary, Rainbow Production Corporation	—	—	62,656	46,946
(Loss) or profit for the period	\$ 13,794	\$(160,459)	\$(226,744)	\$(114,697)
(Deficit) or earned surplus at beginning of period	—	13,794	(146,665)	(373,409)
(Deficit) or earned surplus at end of period	\$ 13,794	\$(146,665)	\$(373,409)	\$(488,106)

RAINBOW OIL LIMITED
(An Alberta Corporation)
STATEMENT OF CAPITAL STOCK AND CAPITAL SURPLUS
(In Canadian Currency)

	Capital Stock		Net proceeds	Capital Surplus
	Shares	Par value at \$5 per share		Net proceeds over or (under) par value
Issuance of capital stock for cash and on amalgamation:				
Cash to September 30, 1951	26,100	\$ 130,500	\$ 130,500	
Less—expense of issue			6,525	
			\$ 123,975	\$ (6,525)
Amalgamation with predecessor company as at February 29, 1952	36,580	182,900	\$ 197,855	
Less—predecessor company earned surplus			14,955	
			\$ 182,900	
Less—elimination of excess of recorded value over cost included in predecessor company properties			144,897	
			\$ 38,003	(144,897)
Cash in March 1952	57,440	287,200	\$ 287,200	—
Cash subscription in March 1952	7,000	35,000	\$ 35,000	—
Cash and cash subscriptions under public offering by prospectus dated April 30, 1952	355,000	1,775,000	\$2,328,679	
Less—expense of issue			70,255	
			\$2,258,424	483,424
Conversion in May, 1952 of \$261,000 Series A 6% Notes previously issued for cash	52,200	261,000	\$ 261,000	
Less—unamortized expense of issue of Series A Notes			11,569	
			\$ 249,431	(11,569)
Balance at September 30, 1953 and December 31, 1953	534,320	\$2,671,600	\$2,992,033	\$320,433

RAINBOW OIL LIMITED
(An Alberta Corporation)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1953

Note 1. Investment in wholly-owned unconsolidated U. S. subsidiary:

At September 30, 1953 Rainbow Oil Limited owned the entire capital stock of Rainbow Production Corporation (a U. S. company) and in the annual report to shareholders the accounts of the subsidiary were consolidated with those of Rainbow Oil Limited. In view of the fact that an Extraordinary General Meeting of the shareholders has been called to authorize the distribution of Rainbow's entire ownership in Rainbow Production Corporation as a distribution in kind to stockholders (whether or not the proposed amalgamation described in this Prospectus is consummated), the accounts of Rainbow Production Corporation have not been consolidated with those of Rainbow Oil Limited for the purposes of this Prospectus.

After deducting the reserve of \$62,656 which represents Rainbow Production Corporation's operating loss for the period from inception in November, 1952 through September 30, 1953, the net amount of \$635,323 carried for the investment in and loans to Rainbow Production Corporation equals the underlying net assets of the unconsolidated subsidiary.

Note 2. Properties:

Properties are owned jointly by the Company, Scurry Oils Limited and other parties, and are operated principally by Scurry Oils Limited. Properties are stated at the portion of cost applicable to the Company's interests and are summarized as follows:

	<u>Producing properties</u>	<u>Other properties</u>	<u>Total</u>
Petroleum and natural gas leases and reservations	\$ 719,567	\$334,364	\$1,053,931
Development costs	405,389	28,920	434,309
Production equipment	173,138	6,689	179,827
	<u>\$1,298,094</u>	<u>\$369,973</u>	<u>\$1,668,067</u>

Exploration costs (geological, seismic and other surveys) and rentals on unproven leases and reservations are capitalized in the property accounts. The costs connected with dry holes and abandoned leases are written off currently to profit and loss.

Depletion and amortization are computed on the unit of production method principally on the basis of oil reserve estimates shown by the reports of Link & Nauss, Ltd., consulting geologists. Depreciation of production equipment is computed at the rate of 15% per annum on the straight line basis.

Maintenance and repair costs are charged to profit and loss. Renewals and betterments are charged to the property accounts.

At the time properties are abandoned, retired or otherwise disposed of, the cost thereof is eliminated from the property accounts and any related depreciation, depletion and amortization is eliminated from the accumulated reserves; any profit or loss on sale of such properties is reflected at the time in the profit and loss account.

Note 3. Lien:

As security for expenditures made in their capacity as operators, Scurry Oils Limited has a first and prior lien on the Company's assets.

Note 4. Options:

Officers of the Company were granted options to purchase an aggregate of 50,000 shares of the Company's capital stock at prices ranging from \$6.25 to \$7.50 (U.S.). It is proposed that these options will be modified so as to terminate, effective upon consummation of the Exchange Offer. Reference is made to "Management" for additional information.

NOTES TO FINANCIAL STATEMENTS — Continued

Note 5. Predecessor company:

The predecessor company was incorporated on December 5, 1950 and the Company was incorporated on March 30, 1951, both under the laws of the Province of Alberta. Under an agreement these two companies were amalgamated as at the close of business on February 29, 1952, with subsequent liquidation of the predecessor company. The financial statements in this Prospectus include certain properties of the predecessor company, stated at cost to the predecessor, and the results of operations of the predecessor for its period of operations.

Note 6. Amalgamation plan:

Reference is made to information elsewhere in the Prospectus as to the Amalgamation Agreement dated January 23, 1954 with Scurry Oils Limited and as to subsequent action taken to implement such agreement.

Note 7. Income taxes:

Under Canadian income tax laws, development costs are to be deducted to the extent of income before depletion and amortization. In the case of the predecessor company for the period December 5, 1950 to February 29, 1952, income before depletion and amortization was substantially less than development costs and consequently there is believed to be no necessity for providing for income taxes.

STATUTORY INFORMATION

CERTAIN DATA REQUIRED UNDER THE COMPANIES ACT OF ALBERTA

(a) The Company was incorporated under the name of Scurry-Rainbow Oil Limited on February 5, 1954, by Certificate of Incorporation issued under The Companies Act of Alberta, with an authorized capital of \$5,000,000 divided into 10,000,000 shares of a nominal or par value of 50¢ each.

The Company has its registered and head office at 624 Ninth Avenue West, Calgary, Alberta.

The liability of the members of the Company is limited to the amount unpaid on their shares.

There are issued and outstanding 10,000 shares of Capital Stock, all fully paid.

The Company is authorized by its Articles of Association to pay a commission on the sale of its shares not exceeding 25%.

(b) The minimum subscription upon which the Directors may proceed to allotment is \$10,000 in cash, which was fixed in the Amalgamation Agreement dated January 23, 1954 between Rainbow Oil Limited (hereinafter called "Rainbow"), and Scurry Oils Limited (hereinafter called "Scurry"). Each such corporation has paid in \$5,000 and has acquired therefor 5,000 shares of the Company's Capital Stock. The preliminary expenses of the Company and the amount paid or payable for services rendered in relation to its formation or organization are estimated not to exceed \$10,000. The Company may pay certain amounts by way of reimbursement of expenses, fees or commissions in connection with the solicitation of the exchanges referred to in paragraph (c) below. The Amalgamation Agreement provides that Scurry and Rainbow each will loan to the Company one-half of any amount needed for its expenses in connection with such Agreement and this Exchange Offer, in excess of its minimum subscription.

(c) No property has been purchased or acquired by the Company or is presently proposed to be purchased or acquired by the Company which has been or is to be paid for wholly or in part out of the proceeds of the sale of the shares hereby offered, or has been within the last two years or is to be paid for by shares or debentures, or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus, except that the shares hereby offered are offered solely in exchange for shares of Capital Stock of Scurry and of Rainbow on the basis of one share of Capital Stock of the Company for each share of Capital Stock of Scurry and 3.8 shares of Capital Stock of the Company for each share of Capital Stock of Rainbow. The Exchange Offer is being made to approximately 5,000 shareholders of Scurry and approximately 2,000 shareholders of Rainbow.

(d) The arrangements for the organization of the Company and the making of the Exchange Offer pursuant to the Amalgamation Agreement may be such as to constitute Scurry and Rainbow (and their officers and Directors acting on their behalf) promoters of the Company. No amount has been paid or is intended to be paid to any such person who may be deemed to be a promoter, as such. The Exchange Offer will be made to all shareholders of Scurry and of Rainbow, including their officers and Directors.

- (e) (i) Each member is entitled to vote at meetings of the Company and upon a poll is entitled to one vote in respect of each share owned by him.
- (ii) The Articles of Association do not fix any number of shares as the qualification of a Director.
- (iii) The Articles of Association provide that the Directors shall be paid out of the funds of the Company by way of remuneration for their services such sums as the majority of the Directors may determine. The Articles also provide that if any of the Directors shall be called upon to perform extra service or to make any special exertions in going abroad or residing abroad for any of the purposes of the Company or the business thereof, the Company shall remunerate the Director or Directors so doing either by a fixed sum or by percentage of profits or otherwise as may be determined and such remuneration may be either in addition to or in substitution for his or their share in the remuneration otherwise provided. Any Director who is a solicitor may be employed by the Directors as solicitor for the Company and as such shall be entitled to receive the usual remuneration for his services as solicitor.
- (iv) The Articles of Association require that a copy of the Company's annual balance sheet and the report of the Directors and auditors be sent to the members of the Company.

(f) The full names, descriptions and addresses of the Directors of the Company are set forth below. No Director has subscribed in cash for shares of the Company. There is set forth opposite the name of each the number of shares of Scurry and of Rainbow owned by him.

Directors

<u>Name</u>	<u>Description</u>	<u>Address</u>	<u>Number of Shares</u>	
			<u>Scurry</u>	<u>Rainbow</u>
Thomas Hoyt Jones, Jr.	Executive	1166 Union Commerce Bldg. Cleveland, Ohio	—0—	11,493*
Arthur William Nauss	Geologist	1028—32nd Ave. S.W. Calgary, Alberta	51,250	2,900
Gordon Hollis Allen	Solicitor	436 Lougheed Bldg. Calgary, Alberta	2,000	—0—
William Hoffman Farrand	Petroleum Engineer	1166 Union Commerce Bldg. Cleveland, Ohio	500	500
George Campbell Knowles	Investment Banker	330 Bay St. Toronto, Ontario	12,200	—0—
John Francis Langston	Petroleum Engineer	1622 Scotland St. Calgary, Alberta	17,000	—0—
Wickliffe Shreve	Investment Banker	25 Broad St. New York, New York	—0—	—0—
Frank Elijah Taplin	Business Investor	1611 Union Commerce Bldg. Cleveland, Ohio	—0—	90,000

* This does not include 2,800 shares held by an estate of which Mr. Jones and other members of his family are co-executors and beneficiaries.

(g) The auditors of the Company are Messrs. Price Waterhouse & Co., who have offices at 61 Canada Life Building, Calgary, Alberta, 2020 Union Commerce Building, Cleveland, Ohio, and elsewhere.

The Transfer Agents and Registrars of the shares of Capital Stock of the Company are: The Crown Trust Company, 227 Eighth Avenue West, Calgary, Alberta, and 302 Bay Street, Toronto, Ontario (Canadian Transfer Agent and Registrar); The National City Bank of Cleveland, 623 Euclid Avenue, Cleveland, Ohio, and Empire Trust Company, 120 Broadway, New York, New York (United States Transfer Agents and Registrars).

(h) The only material contracts which have been entered into by the Company are stock option agreements under date of March 1, 1954 with Thomas H. Jones, Jr., William H. Farrand and Allan P. Lucht, copies of which may be inspected at the offices of the Company, 624 Ninth Avenue, West, Calgary, Alberta, and 1166 Union Commerce Building, Cleveland, Ohio, at any time during business hours. Copies of the Amalgamation Agreement between Scurry and Rainbow dated January 23, 1954, referred to above, and the amendment thereto dated February 9, 1954, may also be there inspected at such time.

DIRECTORS

The undersigned Directors of Scurry-Rainbow Oil Limited have signed this Prospectus pursuant to the requirements of Section 83(1) of The Companies Act of Alberta.

THOMAS H. JONES, JR.

GEORGE C. KNOWLES
By G. H. ALLEN,
his attorney and agent

ARTHUR W. NAUSS

JOHN F. LANGSTON

GORDON H. ALLEN

WICKLIFFE SHREVE
By G. H. ALLEN,
his attorney and agent

WILLIAM H. FARRAND

FRANK E. TAPLIN

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notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.

(10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.

(11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

(12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

(13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the company and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the undersigned company listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish the Exchange at any time, on demand, such reasonable information concerning the company, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the company to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the company.

GENERAL INFORMATION

The registered and principal office of the Company is located at 624 Ninth Avenue West, Calgary, Alberta, Canada. The Company also has an executive office at 1166 Union Commerce Building, Cleveland, Ohio.

The fiscal year of the Company ends on the 30th day of September of each year. The Articles of Association of the Company provide that the Annual General Meeting of Shareholders shall be held once in each calendar year and not more than sixteen months after the holding of the last preceding Annual General Meeting, at such time and place as shall be determined by the Board of Directors. Reference is made to the statements appearing under the caption "Description of Stock" in the attached Prospectus for information with respect to voting and quorum provisions at meetings of shareholders.

The Transfer Agents for the Company's Capital Stock are:

The National City Bank of Cleveland
623 Euclid Avenue
Cleveland, Ohio

Crown Trust Company (Calgary)
227 Eighth Avenue West
Calgary, Alberta, Canada

Empire Trust Company
120 Broadway
New York, New York

Crown Trust Company (Toronto)
302 Bay Street
Toronto, Ontario, Canada

The Registrars for the Company's Capital Stock are:

The Cleveland Trust Company
916 Euclid Avenue
Cleveland, Ohio

Montreal Trust Company (Calgary)
122 Seventh Avenue West
Calgary, Alberta, Canada

Bankers Trust Company
46 Wall Street
New York, New York

Montreal Trust Company (Toronto)
15 King Street West
Toronto, Ontario, Canada

THIS CIRCULAR IS NOT A PROSPECTUS OR AN OFFER OF SECURITIES. THE INFORMATION HEREIN IS SUBJECT TO THE MORE COMPLETE INFORMATION AND STATEMENTS RELATING TO THE SECURITIES CONTAINED IN ITS APPLICATION TO LIST ITS SECURITIES, FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MIDWEST STOCK EXCHANGE.



C & C Super Corporation

(a Delaware corporation)

Common Stock

(Par Value 10¢ Per Share)

Prepared by the Corporation

for

Midwest Stock Exchange

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UNIVERSITY OF MICHIGAN

C & C Super Corporation has applied to the Midwest Stock Exchange for the listing thereon of 5,861,377 shares of its Common Stock, par value 10¢ per share, 5,831,377 shares of which are to be immediately subject to trading and 30,000 shares of which are reserved for admission to trading on notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on July 8, 1954.

THIS CIRCULAR IS NOT A PROSPECTUS NOR AN OFFER TO SELL, NOR THE SOLICITATION OF AN OFFER TO BUY, SECURITIES.

THIS CIRCULAR WAS PREPARED BY THE CORPORATION FOR THE INFORMATION OF MEMBERS OF THE MIDWEST STOCK EXCHANGE, PURSUANT TO A REQUIREMENT OF THE EXCHANGE. THE STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR ANY OF THE STATEMENTS OR REPRESENTATIONS THEREIN CONTAINED.

C & C Super Corporation

(a Delaware corporation)

Common Stock

(Par Value 10¢ Per Share)

C & C Super Corporation (herein called the "Corporation") has applied to the Midwest Stock Exchange for the listing thereon of 5,861,377 shares of its Common Stock, par value 10¢ per share, 5,831,377 shares of which are to be immediately subject to trading and 30,000 shares of which are reserved for admission to trading on notice of issuance. Said application was approved by the Executive Committee of the Midwest Stock Exchange on July 8, 1954.

CAPITALIZATION OF THE CORPORATION

(as of June 30, 1954)

<u>Designation</u>	<u>Number of Shares</u>		
	<u>Authorized by Charter</u>	<u>Authorized for Issuance</u>	<u>Issued and Outstanding</u>
Common Stock, 10¢ Par Value	8,000,000	6,161,377(1)	5,831,377(2)

(1) 30,000 shares of Common Stock (listed on notice of issuance) are to be issued as part of the consideration for the acquisition by the Corporation of a concession contract and certain other assets. The concession contract covers three lunch counter locations in the New York City subway system. The other assets to be acquired are the fixtures and equipment and miscellaneous items used in the operation of such lunch counters. The selling corporation and its indirect controlling stockholder have each represented that the 30,000 shares of Common Stock of the Corporation will be acquired for investment and not for distribution.

300,000 shares of Common Stock (not listed) are reserved for issuance upon the exercise of stock options held by employees and directors of the Corporation and its subsidiaries as hereinafter described.

(2) Including 21,429 shares held in the treasury. The above figure also includes fractional shares for which cash payments may be made in the future in lieu of the issuance of such fractional shares in connection with the combination and reclassification (effective April 29, 1954) of the Corporation's formerly outstanding stock.

FUNDED DEBT

<u>Title</u>	<u>Authorized</u>	<u>Issued</u>	<u>Paid or Redeemed</u>	<u>Outstanding June 30, 1954</u>
5% Promissory Note, due June 23, 1955, payable in monthly instalments. Secured by first preferred ship mortgage on an oil tanker	\$1,675,000	\$1,675,000	\$1,250,000	\$ 425,000
Amount due on purchase price of oil tanker, payable from charter hire	\$1,675,000	\$1,675,000	\$ 400,000	\$1,275,000

DESCRIPTION OF COMMON STOCK

For a full statement of the terms and provisions of the Common Stock, par value 10¢ per share, of the Corporation, reference is made to the Certificate of Incorporation of the Corporation, as amended, a copy of which is on file with the Midwest Stock Exchange. The following summaries do not purport to be complete statements of all the terms and provisions of said Common Stock and are qualified in their entirety by such reference.

Dividend Rights:

The holders of Common Stock have the right to receive pro rata according to their respective holdings such dividends as may be declared from time to time by the Board of Directors. The directors are authorized to determine whether any, and, if any, what part, of the net profits of the Corporation or of its net assets in excess of its capital shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of any such net profits or such net assets in excess of capital; to set apart out of any funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve or reserves; and to make such other provisions, if any, as may be deemed necessary or advisable for working capital, for additions, improvements and betterments to plant and equipment, for expansion of the Corporation's business and for any other purposes of the Corporation.

Voting Rights:

The holders of Common Stock are entitled to one vote for each share of Common Stock held by them, provided, however, that at all elections of directors they may exercise the privilege of cumulative voting.

Liquidation Rights:

Upon any liquidation of the Corporation the holders of Common Stock are entitled to share ratably in the net assets distributable to stockholders.

Other Provisions:

The Common Stock has no conversion rights or pre-emptive rights and there are no redemption provisions or sinking fund provisions applicable thereto. The Common Stock is not liable for further calls or assessments by the Corporation.

HISTORY AND BUSINESS

The Corporation (formerly known as The Croft Company) was originally organized under the laws of Delaware in 1933. Prior to 1952, when its business was sold to Narragansett Brewing Company, it was engaged in the brewery business, brewing and marketing products under the name of "Croft".

On April 29, 1954, the Corporation acquired all the property and assets, including goodwill, of National Phoenix Industries, Inc. (herein called "National Phoenix"), in exchange for shares of Common Stock of the Corporation and the assumption by the Corporation of all the debts and liabilities of National Phoenix. The assets acquired included, among others, the tanker "Chryss Jane" and the stock interests of National Phoenix in Nedick's, Inc. and its wholly owned subsidiaries, and in Cantrell & Cochrane Corporation, and B/G Foods, Inc.

On May 28, 1954, Nedick's, Inc. was merged into the Corporation. Since that date the operations of the former Nedick's, Inc. have been carried on as a division of the Corporation.

The following is a brief description of the business activities of the Corporation and of its subsidiaries. For more detailed information relating to the activities of the Corporation and its subsidiaries, reference is made to the Form 8-C Application for Registration of its securities, and the exhibits thereto, filed by the Corporation with the Securities and Exchange Commission and the Midwest Stock Exchange. The following description does not purport to be a complete one and is qualified in its entirety by reference to said Application and the exhibits thereto.

Nedick's Division:

The Nedick's Division of the Corporation is engaged in the business of operating, in the New York metropolitan area and other cities in the East, a chain of "corner" stores which specialize in the sale of frankfurters, an orange drink, "C & C Super Coola" drinks and other food products at popular prices over the counter.

This Division and 8 wholly owned subsidiaries of the Corporation presently operate a total of 107 stores, all of which are located in leased premises. The rentals under the leases are usually based on a percentage of sales made, with a guaranteed minimum annual rental. The minimum annual rental is a fixed obligation which must be paid over the life of the lease, ranging from five to twenty years. At May 31, 1954, the Nedick's Division and related subsidiaries had outstanding leases which provided for minimum annual rentals aggregating approximately \$1,000,000.

Cantrell & Cochrane Corporation:

Cantrell & Cochrane Corporation (herein called "Cantrell & Cochrane") was formed in November, 1952, under the laws of Delaware, to engage in the business of producing and marketing a line of canned soft drinks. The Corporation owns 100% of the outstanding preferred stock and 95% of the outstanding common stock of Cantrell & Cochrane.

Cantrell & Cochrane owns the exclusive right to use in the United States, Canada, Mexico, Cuba, Bermuda and Puerto Rico, the trade-marks, trade names, processes and formulae of the original Cantrell & Cochrane company for ginger ale, club soda and certain other non-alcoholic maltless beverages. Soft drinks (coola, root beer, grape, ginger ale and orange soda) of Cantrell & Cochrane presently are being produced and marketed by it under the name "C & C Super Coola" in three leased plants in Englewood, New Jersey, Chicago, Illinois, and Los Angeles County, California.

Cantrell & Cochrane owns 50% of the outstanding stocks of Cantrell & Cochrane—Blue Ridge Corporation of Narrows, Virginia and 50% of the outstanding stocks of Cantrell & Cochrane—Peninsular Corporation of Lake Alfred, Florida, each of which corporations has been granted an exclusive franchise to can and distribute the "C & C Super Coola" soft drinks in certain areas in the southeastern part of the United States. Each of the franchise agreements is for a base term of 25 years (expiring in 1969), and may be renewed after such expiration on a year-to-year basis unless terminated.

Panamanian Subsidiaries:

The Corporation also has two wholly owned Panamanian subsidiaries, each of which operates through a subsidiary. One operates Nedick's type restaurants in Mexico City, Mexico; the other is engaged in operating a catering service in Mexico City, Mexico.

Tanker:

The Corporation owns the United States flag T-2 oil tanker the "Chryss Jane". When the tanker was bought by National Phoenix on July 23, 1952, it was immediately chartered for a period of six years on a bare boat basis for an aggregate charter hire equal to the purchase price. At June 30, 1954, \$1,275,000 remained to be paid to the seller on the purchase price out of the charter hire. A part of the purchase price of the tanker was borrowed from a bank and is evidenced by a 5% promissory note payable in monthly instalments ending on June 23, 1955. The note is secured by a First Preferred Ship Mortgage on the tanker. At June 30, 1954, \$425,000 remained to be paid on the note.

Earnings of National Phoenix and Subsidiaries:

The following is a condensed summary of the net earnings of National Phoenix and subsidiaries for the two years ended December 31, 1953, prepared from statements certified by Messrs. Peat, Marwick, Mitchell & Co., auditors for National Phoenix:

	Sales and Operating Revenues	Cost of Goods Sold, and Selling, General and Administrative Expenses(1)	Depreciation and Amortization	Other Income (Deductions)	Net Income Before Federal Taxes on Income	Federal Taxes on Income	Net Income
1952.....	\$10,160,746	\$ 9,444,683	\$428,828	\$37,852	\$325,087	\$173,949	\$247,314(2)
1953.....	13,798,619	12,424,396	715,984	(12,210)	646,029	253,754	392,275

(1) Exclusive of depreciation and amortization.

(2) Includes extraordinary income of \$96,176 after deducting applicable Federal and State taxes aggregating \$42,653.

B/G Foods, Inc.:

B/G Foods, Inc. (herein called "B/G") was incorporated under the laws of the State of Delaware in December, 1925, under the name of B/G Sandwich Shops, Inc. Its authorized capital stock as of December 31, 1953, consisted of 16,889 shares of Class A Common Stock, par value \$10 per share, all of which were outstanding, and 200,000 shares of Common Stock, par value \$1 per share, of which 126,953 shares were outstanding (excluding 1,012 shares held in the treasury). The Corporation owns approximately 43% of the outstanding Common Stock of B/G.

B/G and a wholly owned subsidiary presently operate a chain of 43 specialty type restaurants in 12 cities. Thirty-six of the 43 units are operated directly by B/G and the other 7 are operated by its subsidiary. Some units are operated in Sears, Roebuck & Company department stores by B/G or by its subsidiary.

The only real estate owned by B/G or its subsidiary is the land and building located at 1444 South Michigan Avenue, Chicago, Illinois, owned by B/G, where its Chicago district offices, its Chicago kitchens and commissary, and one restaurant are maintained. With the exception of that property, all other locations operated by B/G and its subsidiary are leased or operated under concession contracts with store owners.

The restaurants operated by B/G, directly and through its subsidiary, in Sears, Roebuck & Company stores are operated under concession contracts with that company, the concession fee or rental being based upon a specified percentage of net sales. Each concession contract is cancelable on short notice, but if canceled by the licensor, except upon breach of contract by the licensee, the licensee is to be reimbursed for the unamortized portion of the cost of its fixtures installed in the restaurant.

The leases covering the various leased restaurant and commissary locations vary in terms. Rental under most is computed on the basis of specified percentages of sales with a fixed minimum rental. Most of the leases are on a relatively short-term basis and the expirations thereof are staggered.

The following summary of earnings of B/G and its subsidiaries for the five years ended December 31, 1953, has been condensed from statements of B/G, certified by Messrs. Arthur Andersen & Co., its auditors:

Year Ended December 31,	Sales	Cost of Sales and General and Admin- istrative Expenses(1)	Deprecia- tion and Amortiza- tion	Other Income or (Deduc- tions)	Net Income Before Federal Taxes on Income	Federal Taxes on Income(2)	Net Income
1949.....	\$6,719,618	\$6,174,923	\$189,315	\$(53,071)	\$302,309	\$124,400	\$177,909
1950.....	6,204,170	5,617,534	157,265	(16,680)	412,691	176,000	236,691
1951.....	6,371,218	5,858,204	153,297	(28,030)	331,687	166,500	165,187
1952.....	6,304,396	5,785,463	161,685	2,725	359,973	187,900	172,073
1953.....	6,384,166	5,878,217	162,540	(2,227)	341,182	174,700	166,482

(1) Exclusive of depreciation and amortization.

(2) Includes provisions for excess profits taxes of \$5,000 in 1950, \$4,700 in 1951, \$6,200 in 1952, and \$2,800 in 1953.

Boston Brewery Property:

On June 30, 1952, the Corporation (then The Croft Company) sold its business, goodwill, accounts receivable, inventories, containers and certain other assets to Narragansett Brewing Company (hereinafter called "Narragansett"). In connection with such sale, the Corporation leased its plant and equipment to Narragansett for a base term of five years from the date of the sale. During the five-year term, Narragansett is required to pay taxes, insurance and maintenance charges on the plant, and a rental computed on the basis of \$2.25 for each barrel of all beverages produced at the plant, and all Croft products made elsewhere, in excess of 120,000, but less than 175,000, barrels. The lease provides for a guaranteed minimum rental of \$50,000 per annum during the base term of five years. The plant is not being used by Narragansett as a brewery, but a portion of it is being used as a distributing point. Accordingly, for the year ended June 30, 1954, no rental based on barrels produced at the plant was payable and the total production of Croft products by Narragansett did not require rental payments in excess of the minimum of \$50,000.

Narragansett may withdraw from occupancy of and responsibility for the plant as of the end of each anniversary of the lease upon six months' prior written notice to the Corporation, provided that it is required to pay the Corporation a penalty of \$70,000 if the withdrawal is made as of June 30, 1955; and \$50,000 if as of June 30, 1956. In the event that Narragansett should withdraw from occupancy of the plant, the barrelage ceiling on which rental is computed would be raised from 175,000 to 200,000 barrels for the balance of the base term of five years. The annual payments computed on the basis of barrelage with the guaranteed minimum rental of \$50,000 per annum continue until June 30, 1957, irrespective of the operation of the plant and whether or not Narragansett terminates the lease.

At the end of the five-year term, Narragansett may renew the lease for ten successive one-year periods on the same terms and conditions, except that the rental to be paid during each such renewal is to be computed on the basis of 25¢ per barrel without any minimum rental being guaranteed to the Corporation.

The plant owned by the Corporation and now under lease to Narragansett is located in Boston, Massachusetts. It includes a brewery with a total floor space of 119,000 square feet, having a capacity of 200,000 barrels per annum, and a bottling plant with a floor space of 53,000 square feet. The buildings are from twenty to forty years old and the machinery and equipment average about ten years old.

Credit Agreement:

In addition to the note secured by a First Preferred Ship Mortgage on the tanker "Chryss Jane", the Corporation has outstanding notes in the aggregate principal amount of \$750,000, payable September 30, 1954, and bearing interest at the rate of 4% per annum. The notes evidence loans made by the Corporation from The Chase National Bank of the City of New York under a Credit Agreement with the Bank. The loans are secured by a pledge with the Bank of notes of Cantrell & Cochrane in the aggregate principal amount of \$950,000, and the 54,081 shares of Common Stock of B/G which are owned by the Corporation.

MANAGEMENT

The names and mailing addresses of the directors and executive officers of the Corporation are as follows:

<u>Name</u>	<u>Mailing Address</u>	<u>Office Held</u>
Walter S. Mack	270 Park Avenue, New York 17, N. Y.	President and Director
William Geisler	Rte. 4 & Nordhoff Place, Englewood, N. J.	Executive Vice-President and Director
Richard Weininger	270 Park Avenue, New York 17, N. Y.	Vice-President and Director
Albert Fink Milton	Washington, Conn.	Secretary, Treasurer and Director
Virgil D. Dardi	333 Russ Building, San Francisco, Calif.	Director
James M. Johnston	Southern Building, Washington, D. C.	Director
Dr. Bernard E. Proctor	100 Memorial Drive, Cambridge, Mass.	Director
Winslow Sears	283 Dartmouth Street, Boston, Mass.	Chairman of the Finance Committee and Director
Gen. James A. Van Fleet (Ret.)	Auburndale, Fla.	Director
William Zeckendorf	383 Madison Avenue, New York 17, N. Y.	Director

STOCK OPTIONS

In connection with its acquisition of the assets of National Phoenix, the Corporation assumed all the obligations of National Phoenix under a Stock Option Plan for directors, key employees and certain technical consultants, and under the options issued thereunder, and substituted itself and its stock under the Stock Option Plan and such options for National Phoenix and the stock thereof, share for share, in each case for all purposes thereof. The options so assumed by the Corporation cover an aggregate of 250,000 shares of Common Stock and were granted on May 12, 1952, to the following persons and in the following amounts: Walter S. Mack, 80,000 shares; Richard Weininger, 45,000 shares; Albert Fink Milton, 40,000 shares; Virgil D. Dardi, 25,000 shares; William Zeckendorf, 25,000 shares; William Geisler, 25,000 shares; and Dr. Bernard E. Proctor, 10,000 shares. The market value of the Common Stock on the date the options were granted was \$2.25 per share. The exercise price of the options is \$2.50 per share. The options may be exercised in whole or in part during the period of ten years from May 12, 1952, subject to earlier termination in the event of the death of the holder, or the termination of his services to the Corporation and its subsidiaries.

On May 20, 1954, the Corporation granted additional stock options to the following persons and in the following amounts: Winslow Sears, 25,000 shares; James M. Johnston, 15,000 shares; and Maurice B. Odquist (Vice-President in Charge of Sales of Cantrell & Cochrane), 10,000 shares. Such additional stock options were granted subject to the approval of stockholders at the next annual or special meeting thereof. The exercise price of each of the additional options is \$2.50 per share. The market value of the Common Stock on the date the additional options were granted was 25¢ per share. The options granted to Messrs. Sears and Johnston are for three year terms; the option granted to Mr. Odquist is for a five year term. The additional options are not exercisable prior to 18 months from May 20, 1954, and are subject to earlier termination in the event of the death of the holder, or the termination of his services to the Corporation or its subsidiaries.

PENSION PLAN

In connection with the merger of Nedick's, Inc. into the Corporation, the Corporation adopted, and assumed the obligations and succeeded to the rights and privileges of Nedick's, Inc. under, the Pension Plan of Nedick's, Inc. The Pension Plan was established as of January 1, 1950. It applies to salaried employees, with at least three years service, of the Corporation and the wholly owned subsidiaries of the Corporation the operations of which are related to the operations of the Nedick's Division of the Corporation. The Corporation and such subsidiaries are herein collectively called "Employer Corporations". The contributions which the employees make to the Pension Plan are at the rate of 5% of the amount of each employee's annual compensation in excess of \$3,000. The Employer Corporations contribute the remaining funds required to provide the benefits specified under the Pension Plan.

Upon regular retirement, a participant will receive a retirement annuity equal to the sum of his Past Service Benefit, if any, and his Future Service Benefit, computed in the following manner:

(i) Past Service Benefit equal to $\frac{3}{4}\%$ of the first \$3,000 and $1\frac{1}{2}\%$ of the excess over \$3,000 of his annual compensation as at October 1, 1949, multiplied by the number of his years (and fractions thereof) of service after April 13, 1937, and the completion of three years of service and prior to December 31, 1949; plus

(ii) Future Service Benefit equal to 1% of the first \$3,000 and 2% of the excess over \$3,000 of his annual compensation during each year of accredited service after January 1, 1950, and prior to age 65.

All contributions are paid into a trust fund. During the year 1953, the amount payable into the trust fund by the Employer Corporations was \$27,595.02. Of that amount \$16,999.97 was payable in respect of future services and \$10,595.05 was payable in respect of past services. As a result of resignations of employees during the year 1953, the Employer Corporations received a credit of \$26,976.68 against the funds which were payable into the trust fund by them during that year, leaving the net amount of \$834.94 which was paid into the trust fund during the year 1953 by the Employer Corporations.

The continuation of the Pension Plan and the payment of contributions by the Employer Corporations are not assumed as contractual obligations of the Employer Corporations.

LITIGATION

There is no pending litigation of a material nature in which the Corporation or any of its subsidiaries are involved or which may affect the income from, title to or possession of any of its or their properties.

FINANCIAL STATEMENTS

As indicated above, on April 29, 1954, the Corporation acquired all the property and assets of National Phoenix in exchange for stock of the Corporation and the assumption by the Corporation of all the debts and liabilities of National Phoenix.

The following financial statements are included in this Circular:

1. Consolidated Balance Sheet of National Phoenix and Subsidiaries as of December 31, 1953, and Statements of Consolidated Profit and Loss and Surplus for the year then ended, together with the report thereon of Messrs. Peat, Marwick, Mitchell & Co.

2. Consolidated Balance Sheet of the Corporation and Domestic Subsidiaries as of April 30, 1954, certified by the Treasurer of the Corporation.

ACCOUNTANTS' REPORT

*The Board of Directors
National Phoenix Industries, Inc.:*

We have examined the consolidated balance sheet of National Phoenix Industries, Inc. and subsidiaries as of December 31, 1953 and the related statements of profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of National Phoenix Industries, Inc. and subsidiaries at December 31, 1953 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.

New York, N. Y.
March 3, 1954

TREASURER'S CERTIFICATE

I hereby certify that the Consolidated Balance Sheet of C & C Super Corporation and its Domestic Subsidiaries as of April 30, 1954, was prepared from and is in accord with the accounting records of C & C Super Corporation and its domestic subsidiaries, which records are subject to audit and adjustment at the end of the year when examined by independent public accountants.

ALBERT FINK MILTON
Treasurer of
C & C SUPER CORPORATION

New York, N. Y.
June 30, 1954

NATIONAL PHOENIX INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1953

ASSETS

CURRENT ASSETS:

Cash		\$ 690,170
U. S. Government securities, at cost		99,670
Accounts receivable:		
Trade, less allowance for doubtful accounts \$2,616.....	\$ 103,112	
Other	29,705	132,817
Notes receivable—arising from sale of investment in non-consolidated subsidiary— secured by capital stock of company sold		566,055
Inventories, at lower of cost or market		601,934
Prepaid expenses—insurance, insurance deposits, taxes and miscellaneous.....		134,900
Total current assets		<u>2,225,546</u>

OTHER ASSETS:

Stock of parent company held by subsidiary for resale to employees.....	46,980	
Mortgage receivable, less portion due within one year.....	94,000	
Equipment held for resale	69,211	
Deposits under leases	194,579	
Sundry	33,855	438,625

PROPERTY AND EQUIPMENT, AT COST:

Store equipment, machinery and equipment and store and leasehold improvements (partly pledged to secure note payable)	4,442,054	
Oil tanker—chartered to others (pledged to secure a certain note payable to bank).....	3,391,008	
	<u>7,833,062</u>	
Less allowance for depreciation and amortization	2,269,742	5,563,320

EXCESS OF COST OF CAPITAL STOCK OF SUBSIDIARY OVER THE UNDER- LYING NET ASSET VALUE AT DATE OF ACQUISITION, LESS AMORTIZATION		440,342
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PATENTS, TRADEMARKS AND COPYRIGHTS		14,172
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DEFERRED CHARGES—Principally advertising material and supplies.....		59,117
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\$8,741,122

LIABILITIES

CURRENT LIABILITIES (exclusive of payments from charter hire due within one year):

Notes payable:		
Secured by mortgage on oil tanker		\$ 512,500
Secured by other property and equipment		114,000
Other		75,000
		<u>701,500</u>
Accounts payable		700,573
Accrued expenses:		
Taxes, other than Federal taxes on income	\$ 170,010	
Other	182,433	352,443
	<u></u>	
Provision for Federal taxes on income		247,515
Total current liabilities (exclusive of payments from charter hire due within one year)		<u>2,002,031</u>

LONG-TERM DEBT:

Note payable to bank, less payments of \$512,500.00 due within one year included in current liabilities (secured by certain property and equipment).....	212,500	
Notes payable for equipment, less payments of \$14,000.00 due within one year included in current liabilities (secured by certain property and equipment).....	33,570	
Amount due on oil tanker—payable from charter hire	<u>1,275,000</u>	1,521,070

OTHER NON-CURRENT LIABILITIES:

Deposits under leases	18,343	
Payments made by employees under stock purchase plan.....	9,696	28,039

MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANY		3,085
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CAPITAL STOCK AND SURPLUS:

Capital stock:		
Authorized, 8,000,000 shares, par value 10¢ per share (250,000 shares reserved for issuance under stock option plan—options exercisable within ten years from May 12, 1952 at \$2.50 per share).		
Issued and outstanding (excluding 23,100 shares held in treasury), 4,954,610 shares	495,461	
Capital surplus	4,256,261	
Earned surplus	<u>435,175</u>	
		<u>5,186,897</u>
		<u>\$8,741,122</u>

See accompanying notes to consolidated financial statements.

NATIONAL PHOENIX INDUSTRIES, INC. AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

YEAR ENDED DECEMBER 31, 1953

OPERATING REVENUES:

Sales of food, food products and beverages, less discounts and freight.....		\$12,898,619
Charter hire—oil tanker		900,000
		<u>13,798,619</u>

COST OF SALES, OPERATING, SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES (exclusive of depreciation and amortization)	\$12,424,396	
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DEPRECIATION AND AMORTIZATION	715,984	13,140,380
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Net operating income		<u>658,239</u>
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OTHER INCOME:

Interest	8,387	
Discount earned	44,855	
Profit on sale of investment	14,908	
Miscellaneous	61,937	130,087
		<u>788,326</u>

OTHER DEDUCTIONS:

Interest	64,028	
Amortization of excess of cost of capital stock of subsidiary over the underlying net asset value at date of acquisition	19,163	
Amortization of financing expenses	12,540	
Loss on sale and abandonment of fixed assets	28,893	
Equity in loss of Mazda Oil Corporation, a non-consolidated subsidiary.....	12,870	
Miscellaneous (including minority interest in earnings of subsidiary).....	4,803	142,297
		<u>646,029</u>

Net income before Federal taxes on income.....		646,029
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PROVISION FOR FEDERAL TAXES ON INCOME (including \$5,000 excess profits tax of subsidiary)		253,754
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Net income		<u>\$ 392,275</u>
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See accompanying notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED SURPLUS

YEAR ENDED DECEMBER 31, 1953

CAPITAL SURPLUS

BALANCE AT DECEMBER 31, 1952.....	\$4,288,354
ADD ADJUSTMENT OF NET CREDIT TO SURPLUS ARISING FROM RECAPITALIZATION, MERGER AND SALE OF STOCK.....	3,360
	<u>4,291,714</u>
DEDUCT EXCESS OF COST OF COMMON STOCK OF PARENT COMPANY REQUIRED TO BE REPURCHASED OVER THE SELLING PRICE THEREOF	35,453
BALANCE AT DECEMBER 31, 1953.....	<u>\$4,256,261</u>

EARNED SURPLUS

BALANCE AT DECEMBER 31, 1952	\$ 42,900
NET INCOME FOR YEAR ENDED DECEMBER 31, 1953.....	392,275
	<u>435,175</u>
BALANCE AT DECEMBER 31, 1953	<u>\$ 435,175</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) The excess of cost of capital stock of subsidiary over the underlying net asset value at date of acquisition is being amortized over twenty-five years by charges to income.
- (2) At December 31, 1953, 65 properties were occupied by subsidiaries under leases expiring subsequent to December 31, 1956 at aggregate annual minimum rentals of approximately \$714,000 and two properties were occupied under leases with rental based on sales (no minimum). In addition to the foregoing leases, a subsidiary has entered into six lease agreements which become effective after December 31, 1953 and which have terms expiring more than three years after the effective date. The minimum annual rental under these leases is \$46,500. Certain of the leases also provide for payment of taxes and sundry expenses and additional rentals based on sales.

A subsidiary is contingently liable as guarantor of a first mortgage indebtedness relating to property sold until such indebtedness is reduced by the purchaser to \$100,000. The unpaid amount of such mortgage at December 31, 1953 was \$164,861.

The company has entered into a stand-by credit agreement with a bank for an extension of credit to September 30, 1954 for an amount not in excess of \$750,000. At December 31, 1953 no portion of this credit had been used.

Subsequent to December 31, 1953 the company acquired 54,081 shares of the common stock of B/G Foods, Inc., in respect of which 271,405 shares of common stock of the company were issued.

C & C SUPER CORPORATION
and Domestic Subsidiaries
CONSOLIDATED BALANCE SHEET

APRIL 30, 1954
(Unaudited)

ASSETS

CURRENT ASSETS:

Cash		\$ 1,091,020
Accounts receivable:		
Trade, less allowance for doubtful accounts, \$8,320	\$ 659,349	
Other	17,780	677,129
Notes receivable—arising from sale of investment in non-consolidated subsidiary— secured by capital stock of company sold		266,055
Inventories, at lower of cost or market		829,573
Prepaid expenses—insurance, insurance deposits, taxes and miscellaneous		103,090
Total current assets		<u>2,966,867</u>

INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANY AND NON-CONSOLIDATED SUBSIDIARIES:

Domestic affiliated company—B/G Foods, Inc.	476,459	
Foreign subsidiaries, less reserve of \$40,000	156,014	632,473

OTHER ASSETS:

Stock of parent company held by subsidiary for resale to employees	46,980	
Mortgage receivable, less portion due within one year	93,000	
Equipment held for resale	26,952	
Deposits under leases	220,640	
Sundry	46,757	434,329

PROPERTY AND EQUIPMENT, AT COST:

Store equipment, machinery and equipment and store and leasehold improvements (\$139,138 pledged to secure note payable)	4,995,047	
Oil tanker—chartered to others (pledged to secure a certain note payable to bank)	3,391,008	
	8,386,055	
Less allowance for depreciation and amortization	2,477,887	
	5,908,168	
Real estate and equipment leased to others	1,905,503	
Less allowance for depreciation	1,015,262	
	890,241	6,798,409

EXCESS OF COST OF CAPITAL STOCK OF SUBSIDIARY OVER THE UNDERLYING NET ASSET VALUE AT DATE OF ACQUISITION, less amortization

433,960

PATENTS, TRADEMARKS AND COPYRIGHTS

14,172

DEFERRED CHARGES

52,812

\$11,333,022

LIABILITIES

CURRENT LIABILITIES (exclusive of payments from charter hire due within one year):

Notes payable:		
Secured by mortgage on oil tanker		\$ 454,167
Secured by other property and equipment		34,333
Bank loans		750,000
		1,238,500
Accounts payable		1,074,905
Accrued expenses:		
Taxes, other than Federal taxes on income	\$ 189,153	
Other	230,073	419,226
Provision for Federal taxes on income		159,121
Total current liabilities (exclusive of payments from charter hire due within one year)		<u>2,891,752</u>

LONG TERM DEBT:

Note payable to bank, less payments of \$454,167 due within one year included in current liabilities (secured by certain property and equipment)	70,833	
Notes payable for equipment, less payments of \$34,333 due within one year included in current liabilities (secured by certain property and equipment)	63,065	
Amount due on oil tanker—payable from charter hire	1,275,000	1,408,898

OTHER NON-CURRENT LIABILITIES:

Deposits under leases	17,510	
Payments made by employees under stock purchase plan	24,631	42,141

DEFERRED INCOME

8,333

MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF SUBSIDIARY COMPANY

4,278

CAPITAL STOCK AND SURPLUS:

Capital stock:		
Authorized, 8,000,000 shares of common stock, par value 10¢ per share (see Note #2)		
Issued and outstanding (excluding 21,429 shares held in treasury), 5,807,448 shares	580,745	
Capital surplus	6,395,542	
Earned surplus	1,333	6,977,620
		<u>\$11,333,022</u>

See accompanying notes to consolidated balance sheet.

C & C SUPER CORPORATION
and Domestic Subsidiaries

NOTES TO CONSOLIDATED BALANCE SHEET

1. The excess of cost of capital stock of subsidiaries over the underlying net asset value at date of acquisition is being amortized over twenty-five years by charges to income.
2. At April 30, 1954, 250,000 shares of common stock were reserved for issuance under stock options. Such options are exercisable within ten years from May 12, 1952 at \$2.50 per share. Subsequent to April 30, 1954, options were granted, subject to the approval of stockholders, for an additional 50,000 shares entitling the holders thereof to exercise such options within a period from three to five years at \$2.50 per share.

In addition to the foregoing, the company may be required to issue under certain conditions, 156,750 shares of its common stock in exchange for 31,350 shares of common stock of B/G Foods, Inc. which may be issued in connection with the conversion of a certain convertible installment note of B/G. Said note is convertible on the basis of 11 shares of B/G stock for each \$100 of unpaid principal, which at April 30, 1954 was \$285,000. The company's obligation so to issue its common stock will decrease as installments are paid by B/G Foods, Inc. on the note.

3. At April 30, 1954, 77 properties were occupied by subsidiaries under leases expiring subsequent to April 30, 1957 at aggregate minimum rentals of approximately \$803,000, and two properties were occupied under leases with rental based on sales (no minimum). In addition to the foregoing leases, a subsidiary has entered into three leases, which became effective after April 30, 1954 and which have terms expiring more than three years after the effective date. The minimum annual rental under these leases is \$25,030.

A subsidiary is contingently liable as guarantor of a first mortgage indebtedness relating to property sold until such indebtedness is reduced by the purchaser to \$100,000. The unpaid balance of such mortgage at April 30, 1954 was \$160,640.

AGREEMENTS

The Corporation has agreed with the Midwest Stock Exchange as follows:

- (1) To notify the Exchange promptly of any change in the general character or nature of its business.
- (2) To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies, when such disposal would impair or materially affect its financial position or the nature or extent of its operations as theretofore conducted.
- (3) Not to change its accounting policies materially from those existing at the time of listing without giving notice thereof to the Exchange.
- (4) To mail with the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary, owned or controlled company. Such statements shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be a part of the report.
- (5) To maintain, in accordance with the rules of the Exchange, a transfer office or agency, in the City of Chicago, within the vicinity of the Exchange where all listed securities shall be directly transferable and the principal of all listed securities with interest or dividends thereon shall be payable; also to maintain, in the City of Chicago within the vicinity of the Exchange, a registry office, not identical with the transfer office, except in the case of bonds, where all listed securities shall be registered. Said transfer and registry agencies shall be responsible banks or trust companies satisfactory to the Exchange except that the Corporation, or a subsidiary or allied company organized specifically for such purpose, may act as transfer agent of its stock. In the event of the resignation, refusal or inability of the Chicago transfer agent to act, the Corporation will immediately take the necessary steps to secure a new transfer agency in Chicago and in the interim will act as its own transfer agent in said City. In the event the Chicago transfer agent and/or registrar discontinues as such agent and proper provision is not immediately made for transfer and registration in Chicago, the Exchange may suspend dealings in or summarily remove from the list the securities for which there is no transfer agent and/or registrar. If a stock is transferred at the Corporation's office, the transfer clerk shall be specifically appointed by authority of the board of directors to countersign certificates in said capacity and said transfer clerk shall be a person other than an officer who is authorized to sign certificates of stock.
- (6) Not to add to the number of its transfer agencies nor to make any change of a transfer agency, or of a trustee of its listed bonds or other listed securities, without prior notice to the Exchange; and not to add to the number of registrars nor change a registrar of its listed securities without the prior approval of the Exchange. The combined amounts of the listed securities registered by all such registrars shall at no time exceed the amount listed and admitted to trading on the Exchange.
- (7) Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days' prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.
- (8) To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities an interim, satisfactory to the Exchange within which to record their interests and to exercise their rights, and to issue all such rights in form approved by the Exchange, and to make the same transferable, payable and deliverable in the City of Chicago.
- (9) To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent changes in said options or warrants; also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer, or voting rights of any securities so deposited, and to notify the Exchange of the termination thereof.
- (10) Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income stock dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by the issuing company in relation thereto.
- (11) To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.
- (12) To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotment of rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days' notice in advance of the closing of the transfer books or extensions, or of the time of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.
- (13) To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

(14) Also to file with the Exchange a certified copy of any amendment to the charter or by-laws of the Corporation and to file with the Exchange a satisfactory opinion of counsel respecting the legality of said amendment.

(15) To have on hand at all times a sufficient supply of certificates to meet the demands for transfer.

(16) The Exchange may at any time for cause it deems to be sufficient, suspend trading in any of the securities of the Corporation listed on the Exchange or, on notice and opportunity to be heard, remove the said securities from the list.

(17) To furnish the Exchange at any time, on demand, such reasonable information concerning the Corporation, its subsidiaries or controlled companies, of its or their condition, as may be required.

(18) To notify the Exchange of its intention, at least fifteen days prior to filing an application, to list securities of the same class as those covered by this application on another national securities exchange.

Nothing in these agreements shall obligate the Corporation to do any act in contravention of law or in violation of the rules or regulations of any duly constituted public authority having jurisdiction over the Corporation.

OPINION OF COUNSEL

The opinion of Messrs. Cravath, Swaine & Moore, 15 Broad Street, New York 5, N. Y., counsel for the Corporation, has been filed with the Midwest Stock Exchange to the effect that the Corporation has been duly incorporated and is validly existing as a corporation under the laws of the State of Delaware; that said 5,831,377 shares of Common Stock, which are to be immediately subject to trading, have been duly and validly issued and are fully paid and non-assessable shares of Common Stock of the Corporation; that the issuance and delivery of said 5,831,377 shares of Common Stock were exempt from registration under the Securities Act of 1933, as amended; that said 30,000 shares of Common Stock, which are reserved for admission to trading on notice of issuance, will, when issued pursuant to proceedings taken by the Board of Directors of the Corporation, be duly and validly issued and will be fully paid and non-assessable; and that the issuance and delivery of said 30,000 shares of Common Stock are exempted transactions under the Securities Act of 1933, as amended.

GENERAL INFORMATION

The fiscal year of the Corporation ends on September 30 in each year.

The principal statutory office of the Corporation is located at No. 900 Market Street, Wilmington, Delaware. The Corporation's principal place of business is at No. 270 Park Avenue, New York 17, N. Y.

The Annual Meeting of the Stockholders of the Corporation is held at 10 o'clock in the morning on the second Thursday in February in each year, at the principal statutory office of the Corporation in the City of Wilmington, State of Delaware. Except in certain special cases required by law, the presence in person or by proxy of stockholders entitled to vote at least 40% of the issued and outstanding stock will constitute a quorum at all meetings of the stockholders.

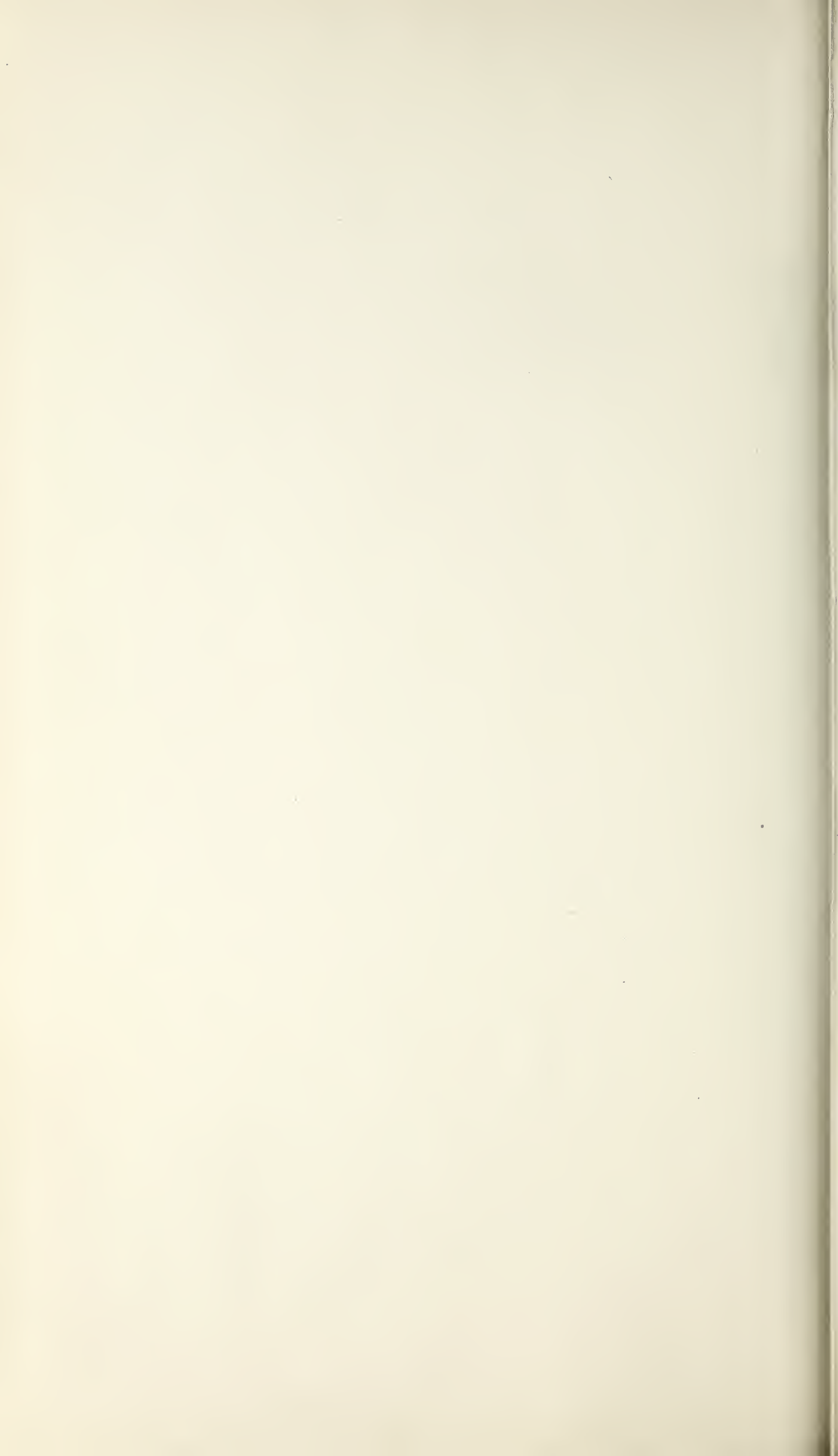
The Transfer Agents for the Common Stock of the Corporation are The Chase National Bank of the City of New York, 11 Broad Street, New York 15, N. Y., The First National Bank of Jersey City, 1 Exchange Place, Jersey City 3, N. J., and American National Bank and Trust Company of Chicago, 33 North La Salle Street, Chicago 90, Illinois.

The Registrars for the Common Stock of the Corporation are The Marine Midland Trust Company of New York, 120 Broadway, New York 15, N. Y., and Harris Trust and Savings Bank, 115 West Monroe Street, Chicago 90, Illinois.

THE INFORMATION CONTAINED IN THIS CIRCULAR IS SUBJECT TO THE MORE COMPLETE INFORMATION RELATING TO THE SECURITIES CONTAINED IN THE CORPORATION'S APPLICATION TO LIST ITS SECURITIES, AND THE EXHIBITS THERETO, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND WITH THE MIDWEST STOCK EXCHANGE.







UNIVERSITY OF ILLINOIS-URBANA



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